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Latam Weekly: Latam CPI, in the Shadow of US Elections and the Fed?

ECONOMIC OVERVIEW

- The highly uncertain US election is around the corner, with the risk of a tight race that may take a while to be called while the Fed holds its two-day policy meeting ahead of Thursday's rate decision—on the same day as the BoE. Quarter-point cuts from each are the safest bet—but these days who knows?
- Latam markets already have to deal with the aftermath of the election, and the anxiety leading into it, but they will also be challenged by October inflation data out of Mexico, Brazil, Chile, and Colombia during the week.
- The BCRP, with October data already at hand, will likely hold at its Thursday decision for the second consecutive meeting, while the BCB is clearly motivated to hike 50bps on Wednesday.
- In today's Weekly, our teams in Chile and Mexico outline their expectations for next week's CPI data, our Peru economists outline their higher revisions for growth and policy rate forecasts, and our Colombia team provides an update on recent political and fiscal developments—and their implications.

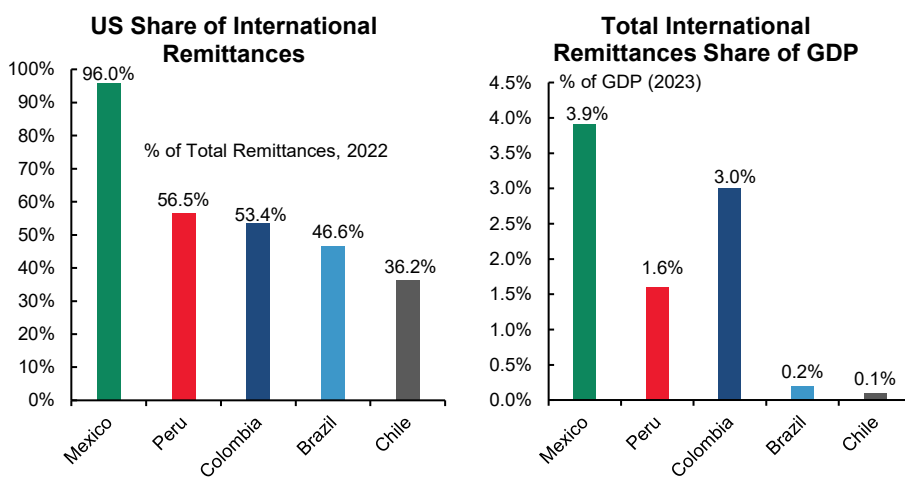
PACIFIC ALLIANCE COUNTRY UPDATES

- 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, Colombia, Mexico and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period November 2–15 across the Pacific Alliance countries and Brazil.

Charts of the Week



Sources: Scotiabank Economics, IADB.

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

Economic Overview: Latam CPI, in the Shadow of US Elections and the Fed?

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Next week is the most important week for markets (and geopolitics) of 2024, with major ramifications for 2025, as we head into a highly uncertain US election on Tuesday that looks set to determine the near and medium-term path for global yields, currencies, overall risk sentiment and possibly influence central bank decisions away from previously expected paths. On top of the political anxiety that will hang over traders, economists, and public officials, we'll have the Fed's and the BoE's announcements on Thursday and key global data releases like US ISM services and Canada's jobs report.

A clear win for either Harris or Trump on Tuesday—as votes are counted overnight Wednesday—would right away likely be positive for the market mood as uncertainty is nipped in the bud, but there's limits to how clear these wins can be, as a Democratic or Republican sweep could bring major policy shifts from early-2025 that trigger sharp reactions in markets. As things stand, polls (that carry their own degree of skepticism) suggest that we will not have a clear winner for the Presidency, and possibly in either or both of the House and Senate; there's even the possibility of a runoff election in early-January too.

Setting aside all the events in the G10, next week's Latam calendar is already quite busy by itself to keep local market players on their toes. Each of Mexico, Chile, Colombia, and Brazil publish October inflation data over the next few days, just a few days after today's (November 1st) release of Peruvian CPI figures that were marginally softer than expected.

With these data at hand, Peru's BCRP also has its own policy announcement on Thursday, though we think that regardless of today's data Peruvian officials were on track to keep their reference rate unchanged for a second consecutive month at 5.25%. In today's Latam Weekly, our team in Peru outlines their GDP growth revisions as well as their forecast for a 25bps higher BCRP terminal rate, at 4.50%, that means only three more cuts await in the easing cycle—with the next one due in December.

Mexican and Brazilian CPI are a bit light in terms of informative value considering we've already got mid-month CPI data from both countries; regardless of the

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November 1, 2024

outcome, the BCB is well on track to lift its Selic rate by 50bps on Wednesday. In the case of Mexico, our local team go over their forecasts for next week's inflation, fixed investment, and private consumption data releases in today's report; note also that we get the latest Citibanamex economists survey results on Tuesday, but it's tough to imagine that these would still be valid once we know the results of the election. For inflation, we project a small uptick in headline from 4.58% to 4.65% (vs 4.69% bi-weekly) as food prices pressure headline prices growth higher while core inflation holds around 4%. In a bubble, Banxico looks on track to cut in November—but let's revisit after the US election.

Our team in Chile expects October inflation to print at 4.2% y/y on the back of a 0.54% m/m rise in headline terms, but they believe that the more policy-relevant ex-volatiles CPI will come in at 0.1% m/m to leave the y/y reading at 4.0%. As they explain in today's Weekly the very hot headline inflation figure will owe almost entirely to an increase in electricity charges that they estimate will be behind 0.51 ppts of the 0.54 ppts m/m rise. Ahead of Friday's CPI release, we'll start the week with economic activity data for September for which the team projects a 1.4% increase in output, and the BCCCh also publishes the results to its traders' survey on Thursday (which generally is just a reflection of market levels).

Colombia joins Chile and Brazil on Thursday with its own CPI data for October. Our Bogota economists forecast a 0.1% m/m rise in prices that translates into a 5.67% y/y inflation reading and thus only small progress, remaining high, when compared to the 5.81% recorded in September. It remains very much the case that services inflation is proving stubborn while headline ticks lower thanks to food and utility prices while prices growth in other items remain relatively well behaved.

But, it may not be CPI data that has the greatest impact on Colombian markets next week. Setting aside the US election (possible) shock, Colombian politics themselves have also not been cooperating to create a positive mood in local markets and/or the currency. And that is the focus of today's write-up by our Colombian colleagues, who analyse the latest political and fiscal developments in the country that suggest a steeper debt curve will remain in place 'for a while.' Make sure to also keep an eye on BanRep's Monetary Policy Report out on Tuesday that will show the updated views and projections of the bank's internal staff, one day before the release of the minutes to the late-October BanRep decision where officials opted for a 50bps rate cut (see our team's take [here](#)).

Pacific Alliance Country Updates

Chile—October CPI Will be Almost Exclusively Explained by Electricity Tariffs

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We project an October CPI of 0.54% m/m (4.2% y/y), slightly below market projections in forwards and surveys (0.6%). On the other hand, we project that the CPI ex-volatiles will increase 0.1% m/m (4.0% y/y), due to the contribution of both its goods (+0.1% m/m) and services (0.2% m/m) components. Meanwhile, we project a strong increase in volatile items (1.2% m/m), which would be mainly due to the 20% increase in electricity tariffs (incidence: 0.51 ppts). With this, the contribution of electricity tariffs would explain 95% of the total CPI that we project for October.

There are new hikes in electricity tariffs in October. Based on our price collection for tariffs, we project an average increase of around 20% m/m due to the adjustment in energy charges and power purchases. With this, the CPI impact of this item would be around 0.51 ppts.

We anticipate a further decline in gasoline prices, which would partially offset the increase in electricity tariffs. The negative impact of this item would be 0.08 ppts, which would be added to further decreases in other fuels with a negative impact of 0.17 ppts (including gasoline).

CPI ex-volatiles would increase only 0.1% m/m, with drops in some goods due to Cyber Monday. In the analytical measure prepared by the central bank, the item of electricity tariffs is considered among the volatile products. Thus, our projection of 0.1% m/m for core inflation considers limited increases in goods. Among the main positive incidences we project for the CPI ex-volatiles, we highlight a rise in new car prices (contribution: 0.03 ppts) and drops in goods within the household equipment and maintenance division, picking up the effect of Cyber Monday (table 1).

Our projection assumes a decline in the inflationary diffusion of goods, while the diffusion of services would remain at historical averages. Specifically, we work with an inflationary diffusion of goods (ex-volatiles) that would be below historical averages, similar to what happened during June when CyberDay took place.

Divisions	Contribution (var. m/m, ppts) (%)
Food and non-alcoholic beverages	0.19
Alcoholic beverages and tobacco	0.04
Clothing and footwear	-0.13
Housing, water, electricity, gas and others	0.53
Household equipment and maintenance	-0.03
Health	0.01
Transport	-0.09
Communication	-0.02
Recreation and culture	0.01
Education	0.00
Restaurants and hotels	0.04
Insurance and financial services	0.00
Miscellaneous goods and services	-0.01
CPI	0.54
CPI (rounded)	0.5

Source: Scotiabank Economics.

Assessing the Fiscal Risk in Colombia

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Fiscal discussions in Colombia have increased uncertainty, which has been reflected in higher volatility of domestic assets and the surge of a potential higher risk premium compared to the region. In this report, we will put the discussion in context and try to examine the impact on domestic assets.

Fiscal difficulties start with the low tax collection derived from the context of low economic growth. Low tax revenues have forced the national government to cut spending significantly to comply with the fiscal rule. So far this year, the revenue expected by the government has not been sufficient to finance the 2024 budget, which is why the government was forced to make a budget freeze of COP 20 trillion in June 2024 (USD 4.8 billion, 1.2% of GDP), that is expected to become a cut in forthcoming weeks. The Autonomous Committee for the Fiscal Rule (CARF) has pointed out that tax revenues between January and August 2024 are 3.6% below the established target; it is also estimated that an additional spending cut of around 30% would be required for the rest of the year to comply with the fiscal rule for 2024.

Against this backdrop, Congress rejected the budget for 2025, which is why the project must be decreed by the national government, which has no precedents in Colombia. Congress is asking to cut part of the amount of COP 523 tn (USD 127.5 billion, ~31% of GDP) of the 2025 budget, as it considers the government's expected revenues are being overestimated. The government has also recognized the potential funding risks to the 2025 budget, which is why it has submitted the COP 12 tn (USD 2.9 billion, 0.8% of GDP) financing law proposal to Congress, which is money that would be raised mainly through the parametric implementation of the fiscal rule in 2025 and the introduction of VAT on online gambling, among other proposals. The financing law will be discussed by Congress by early November, pending the presidential decree for the 2025 budget. However, if the financing law is not approved, the MoF said they will cut the budget by COP 12 tn as soon as January 2nd, 2025.

In parallel, Congress is discussing a bill to reform the General Participation System (SGP) that defines the budget distribution across regions. This bill is a proposal from a congressman, designed as a constitutional reform. It aims for an increase in transfers from the central government to the regions, going from the current 29% to 46% initially. Still, after the sixth debate, the proposal was changed towards 39.5% of the nation's current income over a period of twelve years. The proposal, which Congress has already approved in six out of the eight debates required to clear the process, has caused alarm since the proposal increases the inflexibility of the national budget and the increased funding requirements to comply with this compromise. However, we have to say that this proposal is not new; in fact, in the Constitution of 1991, there was a similar proposal, and before it was fully implemented, it was taken down in 1998. So, the 2024 congressional proposal is trying to resume a long-dated discussion.

That said, there is an agreement that some decentralization is required however corruption found in the regional authorities calls into question whether the territories are ready to receive more than COP 30 tn (USD 7.3 billion, 1.9% of GDP) additionally per year, as proposed in the reform (+36% compared to what they currently receive). Additionally, before implementing any change in the SGP, a law to transfer powers to the regions should be discussed. This discussion should highlight what will be sacrificed regarding national responsibilities to open more room to regional autonomy. Either way, local think tanks and the Autonomous Committee for the Fiscal Rule has warned about potential fiscal pressures from the proposal in a context where 90% of Colombia's state budget is inflexible, further limiting the scope for investment needs and the implementation of counter-cyclical fiscal policies in times of crisis.

At Scotiabank Colpatría, we think it is early to assess a potential impact since it depends on the definition of regional powers. A curious fact is that there are around 150 laws that define the central government's responsibilities! So, determining the responsibilities of regions will not be easy at all.

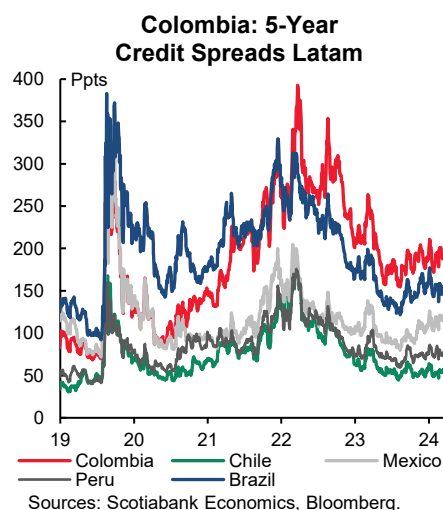
All in all, in addition to international volatility, fiscal uncertainty also has an impact on country asset prices. The risk-off scenario in the world following the start of the Fed rate cut and the geopolitical conflicts has been reflected in a global appreciation of the dollar and a depreciation of fixed-income assets in line with the trend of treasuries in the United States. However, the uncertainty caused by fiscal problems in Colombia has been reflected in a much steeper public debt curve compared to the region (chart 1). Furthermore, debt roll-over and the settlement of liabilities through the issuance of debt instruments by the national government have put additional pressure on the price of local bonds.

International markets were already anticipating a significant fiscal deterioration, which was reflected in the sharp increase in five-year CDS following the loss of the investment grade rating in 2021 (chart 2). In this context, the gap between Colombia and the region widened, even separating us from Brazil, which had a lower long-term sovereign rating (BB+ Colombia vs. BB- Brazil). In recent weeks, however, this phenomenon has worsened as greater fiscal pressure is expected from the approved reforms (e.g. pension reform) that are pending approval in Congress, highlighting the build-up of an additional risk premium for Colombia compared to other countries in the region. There is no doubt that the fiscal outlook in Colombia remains uncertain and favours an environment in which risk aversion towards the country is slightly greater than at a global level, which suggests that Colombia's curve should remain steeper for a while.

Chart 1



Chart 2



November 1, 2024

According to our internal models, since the Fed's September meeting, the DXY index has strengthened by 3.49%, Latam currencies have weakened on average by 4.7%, and Colombia has depreciated by 5.68%. We could attribute the excess of COP depreciation to fiscal noise (around 60 pesos), but the risk is more related to international volatility. Our fundamental models point to a long-term level between 4100 and 4200 pesos.

Next Week in Mexico, Inflation Figures Will Be Published for October, As Well As Gross Fixed Investment and Private Consumption, Both Data for August

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INEGI will publish October inflation on Thursday, November 7th, where we anticipate a 4.65% y/y print, slightly below that observed during the first two weeks of October (4.69% y/y), when it surprised upwards, but above the September figure, which stood at 4.58%. In this sense, we expect a slight slowdown in agriculture, after we observed a rebound in the first half of October, which would benefit non-core inflation. For core inflation, we estimate that the services and merchandise components will remain around 5% and 3% respectively, hence core prices will stay slightly below the 4.0% mark. Despite this slight rebound in inflation, we maintain our call that Banco de México will cut the reference interest rate by 25 basis points at its next monetary policy meeting, on November 14th, to place the reference rate at 10.25%.

Regarding gross fixed investment for August, we anticipate a slowdown compared to the previous month's figure, which grew 6.4% in annual terms, as a result of the continued negative trend in construction, mainly non-residential, which has been presenting contractions for the last two consecutive months. The latter has owed to the past administration's major projects entering their final stages, while the government transition months also result in reduced infrastructure spending. Likewise, we anticipate a slowdown in the machinery and equipment component due to a pause in both public and private investments because of the change of government and the uncertainty related to the elections in the US. Additionally, we anticipate that exchange rate depreciation could negatively affect the dynamics of investment in imported machinery and equipment.

For the same month, private consumption figures will also be released, where further moderation on annual figures is likely to persist. Since the pandemic rebound, private consumption has shown stronger-than-average dynamism, owing to labour market gains in both formal job creation and nominal salaries. Additionally, remittances have provided significant support for household income and thus consumption. However, both job creation and remittances are decelerating, and a weaker peso—affected by political uncertainty—could also impact consumption in the second half of the year, particularly for imported goods. In this context, retail activity for August has already indicated a weaker pace in goods consumption, with a -0.8% y/y decrease, marking four consecutive months in negative territory. Therefore, for August, we expect a lower annual increase from the previous 5.2% y/y, driven by services, yet still a positive change in the monthly seasonally adjusted figures.

Peru—2025: Raising GDP Growth Forecasts, While Tightening Monetary Policy Expectations

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We are changing our forecasts for 2025. First, we are raising our forecast for GDP growth from 2.5% to 2.8%. Secondly, we are increasing our forecast for the BCRP terminal reference rate from 4.25% to 4.5%.

Let's begin with GDP growth. All the changes for 2025 GDP are in the private sector. All the changes for 2025 GDP are moderate:

- Consumption from 2.6% to 2.8%;
- Private Investment from 3.0% to 3.3%;
- Exports from 2.6% to 2.8%

Note that we have also tweaked some 2024 GDP components, but no changes are material. The forecast change for 2025 puts us at level with consensus. Previously, at 2.5%, we had been below consensus, mainly out of caution, given that 2026 is a crucial election year, and it is

reasonable that many business and consumption decisions could be postponed until there is more clarity regarding the elections results (table 2).

This is still true, and continues to limit our enthusiasm for growth in 2025. However, it is also true that the government has accelerated tenders for infrastructure projects, and execution in these projects is already rising. Furthermore, the potentially huge Chancay Port-Hub will soon be operational. We knew this, but there was little precedent to judge its potential impact. We now have more information, and believe the impact will be greater than initially envisioned.

And this is all occurring in a quite healthy environment. Not only are metal prices robust, but the economy has strong external balances, a manageable fiscal situation, a return to price and monetary stability, a stable currency, and declining interest rates. This is not a bad context to be in.

In fact, taking all these factors into account, one could be tempted to be more aggressive. There is a good chance that the impact is greater than we are accounting for. We prefer, however, to remain cautious, simply because the 2026 presidential elections constitute such a great risk, that it could potentially overwhelm all the positive factors.

We are also raising our terminal reference rate forecast from 4.25% to 4.50%. We expect this rate to be reached by mid-2025. The reason we are doing so is because the BCRP pretty much told us to do so. The BCRP has signaled that it was pondering on raising its neutral interest rate, which is currently 2.0%. We use the neutral rate to forecast the reference rate. We do not know if, when, or how much the BCRP will raise its neutral rate. But the message that 2.0% is too low has been made clear by the BCRP. Our previous forecast of 4.25% was based on a neutral rate of 2.0%. In anticipation of the BCRP raising its neutral rate, we are raising our forecast for the terminal reference rate to 4.50%. Once the BCRP comes out with a new neutral rate, we will need to confirm or revise this forecast as well.

The reference rate is currently 5.25%. This means that we expect only three more rate cuts before reaching the terminal rate. The BCRP monthly inflation reports have not been helpful in determining exactly when rates will be cut. However, a pattern has emerged since April, consisting of two monthly rate cuts followed by two monthly pauses. There is a good chance that the pattern has not been intentional. But, if this pattern holds true going forward, then we could expect the BCRP to pause again in November, and cut in December. Take this with a grain of salt, but we have little else to go on (table 3).

Table 2: Peru—GDP & Domestic Demand (y/y % change)

Groups of consumption	2024P	2024P	2025P	2025P
	Previous	Current	Previous	Current
GDP	3.0	3.0	2.5	2.8
Imports	4.3	4.4	3.4	3.7
Domestic Demand	3.3	3.4	2.7	3.0
Private Consumption	2.8	2.8	2.4	2.6
Public Consumption	2.2	2.2	2.0	2.1
Private Investment	2.2	2.0	3.0	3.3
Public Investment	11.0	11.0	3.5	3.5
Exports	3.0	2.8	2.6	3.0

Source: Scotiabank Economics.

Table 3: Peru—BCRP Rate

Meeting Date	BCRP Rate
Nov-23	7.00
Dec-23	6.75
Jan-24	6.50
Feb-24	6.25
Mar-24	6.25
Apr-24	6.00
May-24	5.75
Jun-24	5.75
Jul-24	5.75
Aug-24	5.50
Sep-24	5.25
Oct-24	5.25
Nov-24f	5.25
Dec-24f	5.00

Source: Scotiabank Economics.

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	3.4	3.1	2.1	1.8	1.8	1.8	3.0	2.9	3.1	1.9
CPI (y/y % eop)	5.8	4.7	3.2	5.2	4.6	3.9	4.2	4.4	4.6	4.5	4.3	4.1	4.0	5.8	4.6	4.6	4.0
Unemployment rate (% avg)	7.9	8.8	8.0	7.7	7.4	7.9	6.9	6.4	6.3	7.1	7.1	7.1	6.9	7.9	7.4	6.4	7.0
Central bank policy rate (% eop)	13.75	13.75	13.75	12.75	11.75	10.75	10.50	10.75	11.75	12.00	12.00	12.00	11.25	13.75	11.75	11.75	11.25
Foreign exchange (USDBRL, eop)	5.28	5.06	4.79	5.03	4.86	5.01	5.59	5.45	5.36	5.33	5.32	5.31	5.33	5.28	4.86	5.36	5.33
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	4.0	4.3	4.7	4.2	3.8	3.5	12.8	3.4	4.3	3.5
Unemployment rate (% avg)	7.9	8.8	8.5	8.9	8.5	8.7	8.3	8.7	8.0	8.0	7.8	7.8	7.4	7.9	8.5	8.4	7.7
Central bank policy rate (% eop)	11.25	11.25	11.25	9.50	8.25	7.25	5.75	5.50	5.00	4.75	4.25	4.25	4.25	11.25	8.25	5.00	4.25
Foreign exchange (USDCLP, eop)	851	795	802	892	879	979	940	899	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	5.3	4.4	4.0	4.1	4.0	13.1	9.3	5.3	4.0
Unemployment rate (% avg)	9.8	11.7	10.2	9.4	9.4	11.9	10.4	9.6	9.8	12.0	10.7	10.7	10.4	11.2	10.2	10.5	11.0
Central bank policy rate (% eop)	12.00	13.00	13.25	13.25	13.00	12.25	11.25	10.25	9.00	7.50	6.00	5.50	5.50	12.00	13.00	9.00	5.50
Foreign exchange (USDCOP, eop)	4,853	4,623	4,172	4,068	3,855	3,852	4,153	4,207	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	1.5	0.6	0.6	1.2	1.1	1.0	3.7	3.2	1.4	1.0
CPI (y/y % eop)	7.8	6.8	5.1	4.5	4.7	4.4	5.0	4.6	4.6	4.1	3.9	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	3.1	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	10.00	9.50	9.00	8.50	8.00	10.50	11.25	10.00	8.00
Foreign exchange (USDMXN, eop)	19.50	18.05	17.12	17.42	16.97	16.56	18.32	19.69	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	3.6	3.3	3.7	3.2	2.0	2.3	2.7	-0.6	3.0	2.8
CPI (y/y % eop)	8.5	8.4	6.5	5.0	3.2	3.0	2.3	1.8	2.4	2.1	2.4	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	5.9	6.0	6.6	6.2	6.2	6.0	7.7	6.8	6.5	6.3
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	4.50	4.50	7.50	6.75	5.00	4.50
Foreign exchange (USDPEN, eop)	3.81	3.76	3.63	3.78	3.70	3.72	3.84	3.70	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	1.4	1.8	1.9	2.0	2.1	2.3	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	2.0	2.1	2.1	2.0	1.9	1.9	6.7	3.2	2.1	1.9
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	6.5	6.4	5.3	5.4	6.3	6.5
Central bank policy rate (% eop)	4.25	4.50	4.75	5.00	5.00	5.00	4.75	4.25	3.50	3.25	3.00	3.00	3.00	4.25	5.00	3.50	3.00
Foreign exchange (USDCAD, eop)	1.36	1.35	1.32	1.36	1.32	1.35	1.37	1.35	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)	1.3	2.3	2.8	3.2	3.2	2.9	3.0	2.7	2.0	2.1	1.8	1.6	1.8	2.5	2.9	2.6	1.8
CPI (y/y % eop)	7.1	5.7	4.0	3.6	3.2	3.2	3.2	2.6	2.5	2.4	2.3	2.1	1.9	7.1	3.2	2.5	1.9
Unemployment rate (% avg)	3.6	3.5	3.6	3.7	3.7	3.8	4.0	4.2	4.2	4.2	4.2	4.2	4.2	3.6	3.6	4.1	4.2
Central bank policy rate (% eop)	4.50	5.00	5.25	5.50	5.50	5.50	5.50	5.00	4.50	4.00	3.75	3.50	3.50	4.50	5.50	4.50	3.50
Foreign exchange (EURUSD, eop)	1.07	1.08	1.09	1.06	1.10	1.08	1.07	1.11	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 October 18, 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)	-	-	-	-	-	-	-	-	0.1	-	-	-	-0.1	-	-	-	0.1	-
CPI (y/y % , eop)	-	-	-	-	-	-	-	-	0.2	0.2	0.2	0.2	0.1	-	-	-	0.2	0.1
Unemployment rate (% , avg)	-	-	-	-	-	-	-	-	-0.2	-0.2	-0.2	-0.1	-	-0.1	-	-	-0.1	-
Central bank policy rate (% , eop)	-	-	-	-	-	-	-	-	-	-	-	0.25	0.25	-	-	-	-	0.25
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chile																		
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y % , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% , avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCLP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Colombia																		
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y % , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% , avg)	-	-	-	-	-	-	-	-	-0.2	-	-	-	-	-	-	-	-	-
Central bank policy rate (% , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Mexico																		
Real GDP (y/y % change)	-	-	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-
CPI (y/y % , eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% , avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% , eop)	-	-	-	-	-	-	-	-	-	-0.25	-0.25	-0.25	-	-	-	-	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Peru																		
Real GDP (y/y % change)	-	-	-	-	-	-	-	0.3	-0.1	0.1	0.9	-	-	-	-	-	-	0.3
CPI (y/y % , eop)	-	-	-	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-
Unemployment rate (% , avg)	-	-	-	-	-	-	-	-	-0.5	-0.6	-0.3	-0.2	-0.2	-	-	-	-0.4	-0.3
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)	-	-	-	-	-	-	-	0.2	-	-	-	-	-	-	-	-	-	-
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 October 18, 2024.

Forecast Updates: Central Bank Policy Rates and Outlook

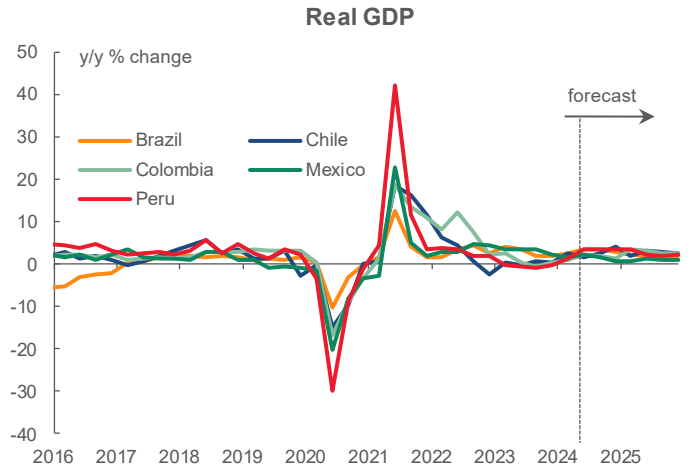
Latam Central Banks: Policy Rates and Outlook

	Current	Next Scheduled Meeting		BNS Forecast		BNS guidance for next monetary policy meeting
		Date	BNS	End-2024	End-2025	
Brazil, BCB, Selic	10.75%	Nov-06	11.25%	11.75%	11.25%	
Chile, BCCh, TPM	5.25%	Dec-17	5.00%	5.00%	4.25%	We project that the BCCh will cut the policy rate by 25 bps at the December meeting.
Colombia, BanRep, TII	9.75%	Dec-20	9.00%	9.00%	5.50%	BanRep cut its interest rate by 50 bps, in line with expectations. In a split vote of 4 members in favour of 50 bps and 3 in favour of a 75 bps cut, the board noted the decline in inflation as favourable, and even the bank's technical team revised expectations downward for the end of 2024 from 5.7% to 5.3% y/y. However, the discussion focuses on fiscal uncertainty and its implications for the local market, which prevents confidence in accelerating the pace of the easing cycle. The possibility of a 75 bps cut will be subject to greater clarity on the international scenario, including the negotiation of the minimum wage and fiscal initiatives.
Mexico, Banxico, TO	10.50%	Nov-14	10.25%	10.00%	8.00%	The minutes of the last Banxico meeting showed the Governing Board has divided opinions regarding the monetary outlook. Two members signaled a dovish stance; two more support the cutting cycle but hold a data-dependent position; and Deputy Governor Heath mentioned that Banxico should wait for further signs that monetary policy is impacting inflation expectations. Although we maintain our call of 25 bps cuts in each of the last two meetings of 2024, we agree that those cuts should materialize depending on data, as inflation risks remain bias to the upside and volatility regarding the US election and 2025 fiscal package could impact Mexican financial markets in the short term.
Peru, BCRP, TIR	5.25%	Nov-07	5.25%	5.00%	4.50%	The BCRP is comfortable in a scenario of controlled inflation, a stable exchange rate, and optimistic economic expectations. There is no pressure to decide between a cut or keeping its rate unchanged. We are inclined to think that in November, the BCRP will not rush and will keep its rate at 5.25%.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

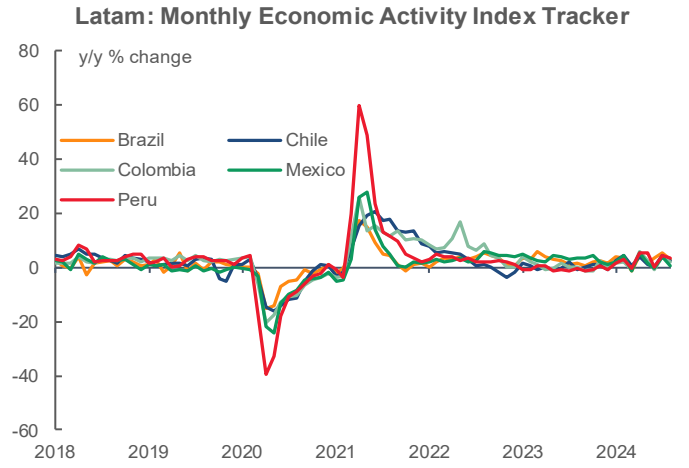
Key Economic Charts

Chart 1



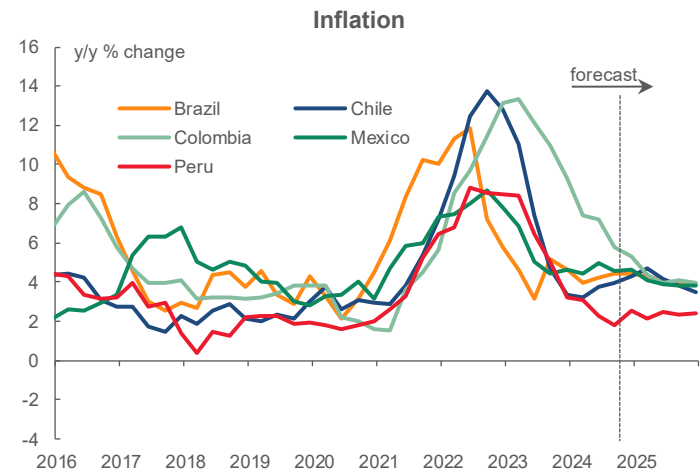
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



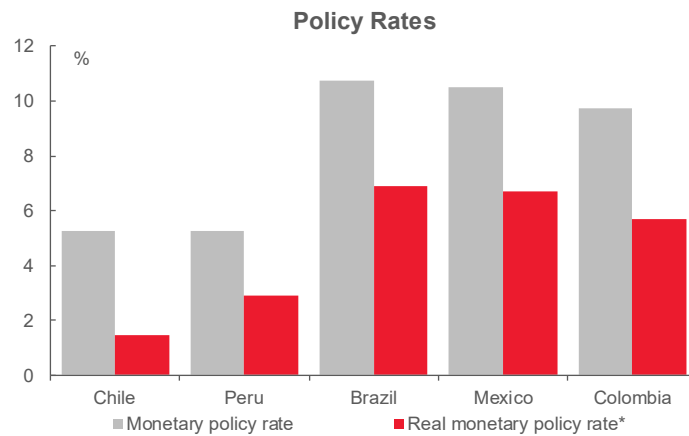
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

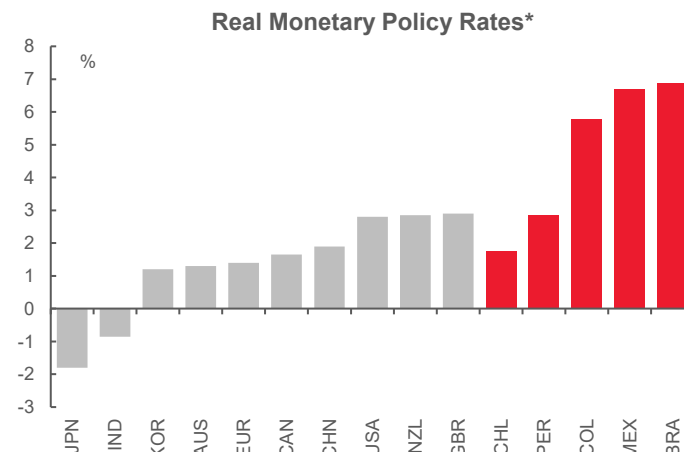
Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q4-2025, % y/y.

Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 5

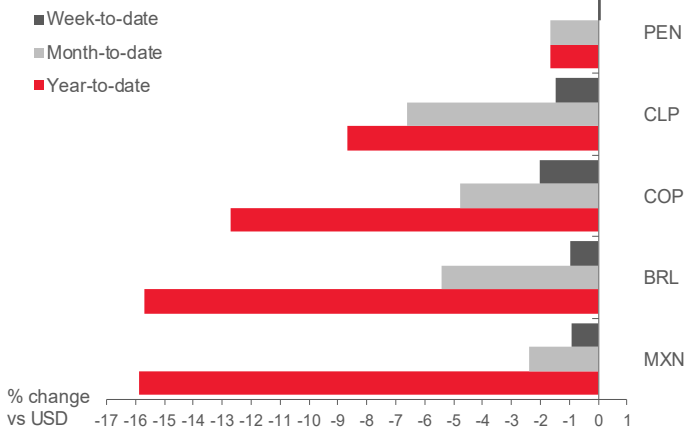


* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q4-2025, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

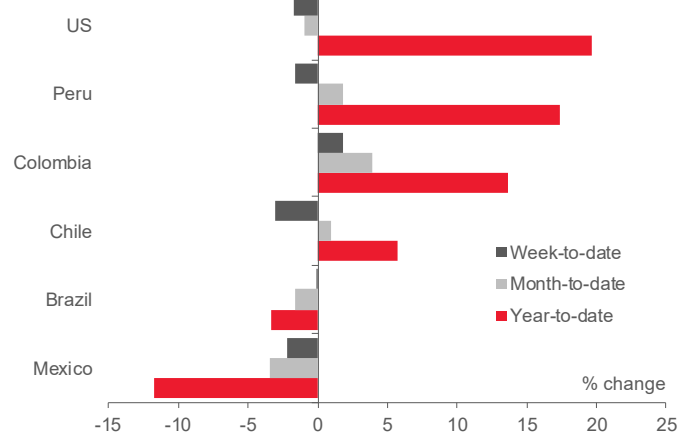
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

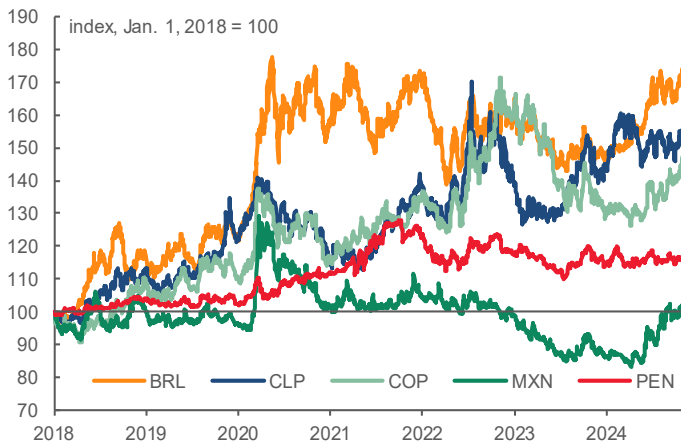
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

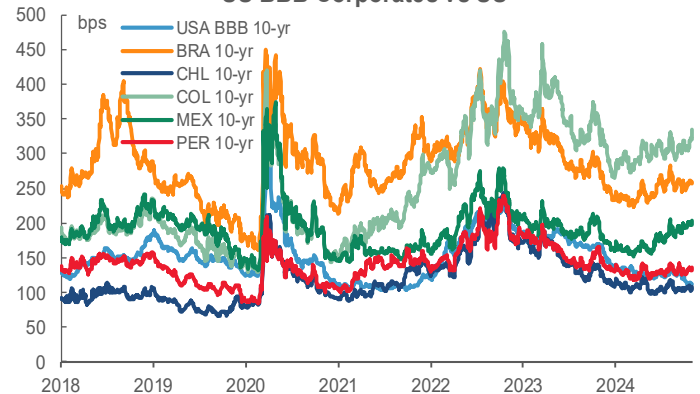
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

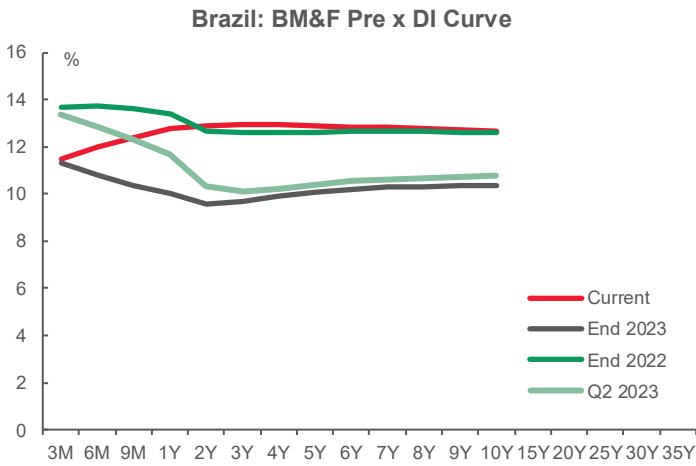
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



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

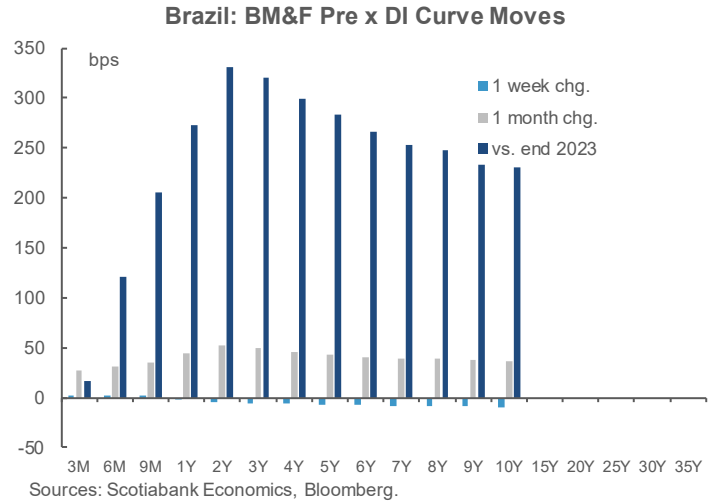
Yield Curves

Chart 1



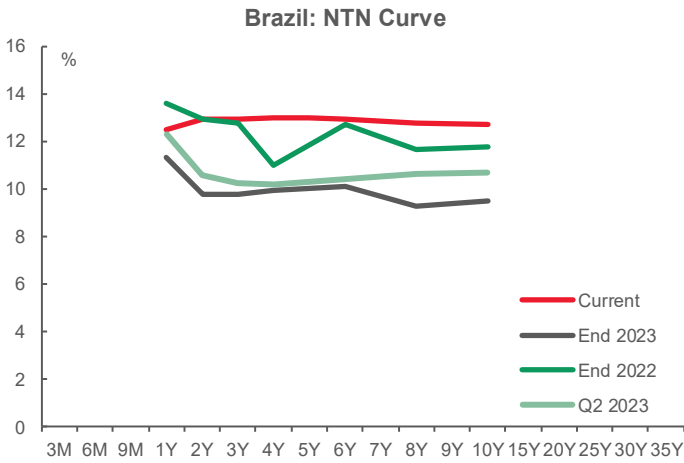
Sources: Scotiabank Economics, Bloomberg.

Chart 2



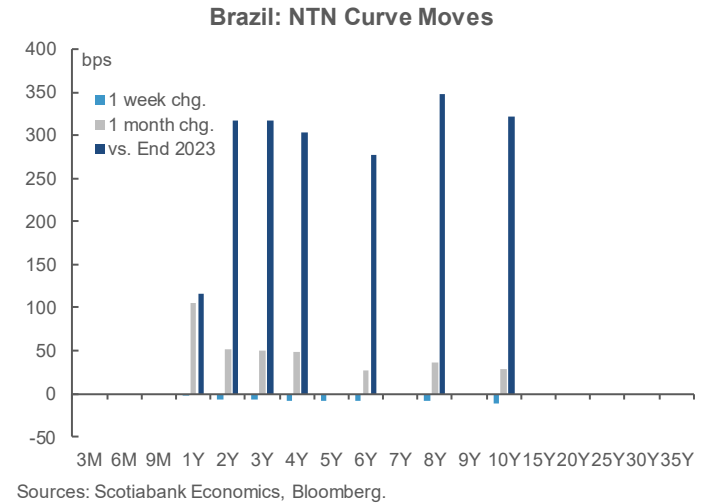
Sources: Scotiabank Economics, Bloomberg.

Chart 3



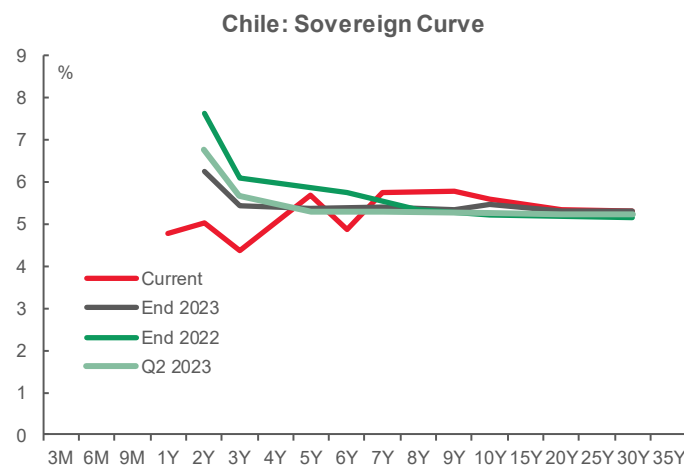
Sources: Scotiabank Economics, Bloomberg.

Chart 4



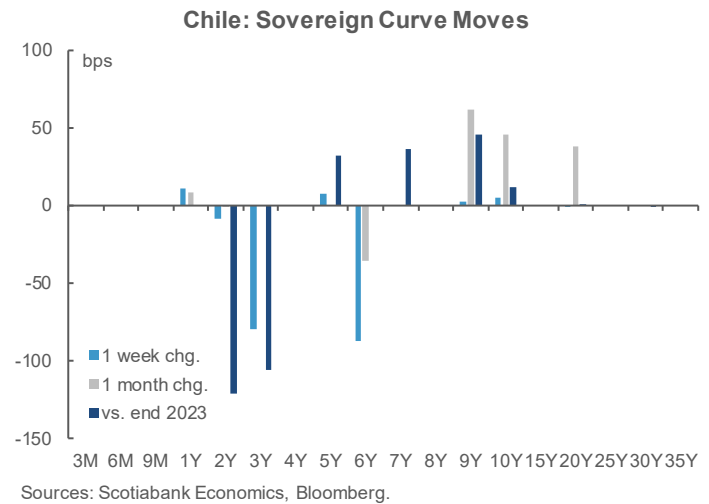
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

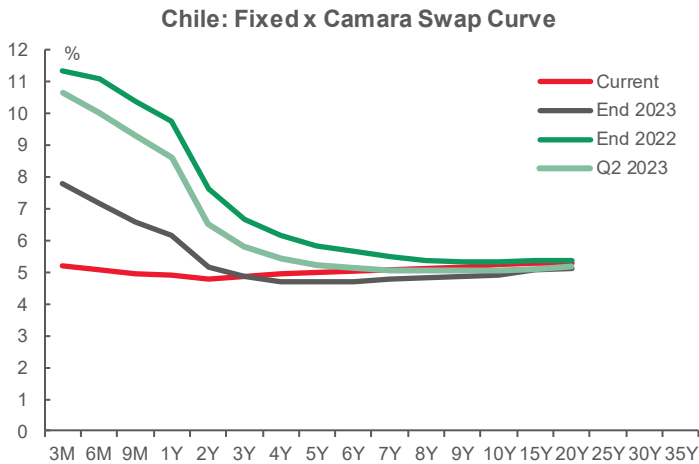
Chart 6



Sources: Scotiabank Economics, Bloomberg.

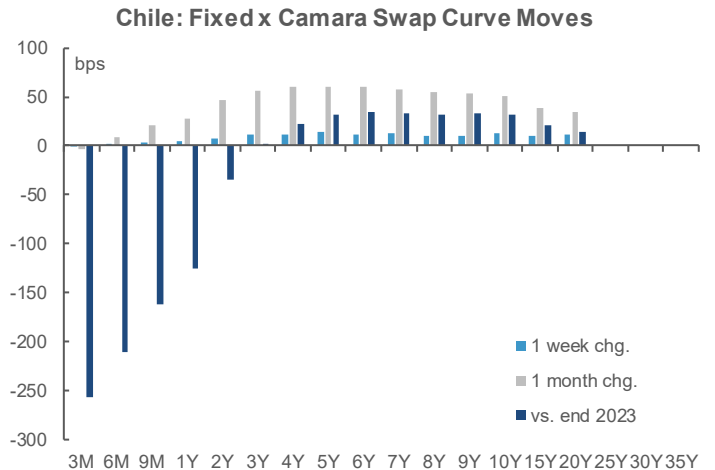
Yield Curves

Chart 7



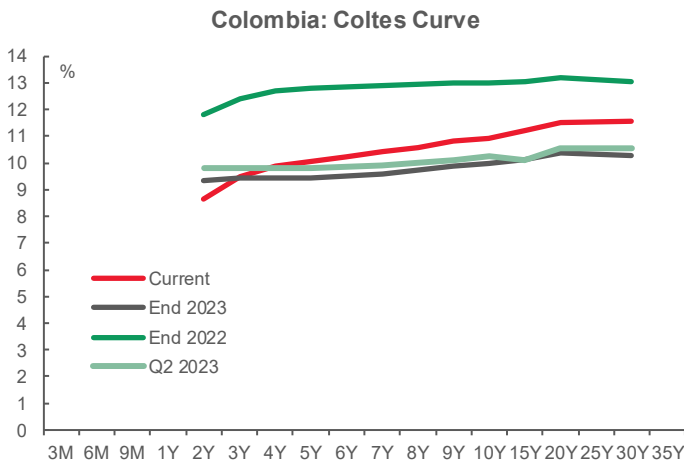
Sources: Scotiabank Economics, Bloomberg.

Chart 8



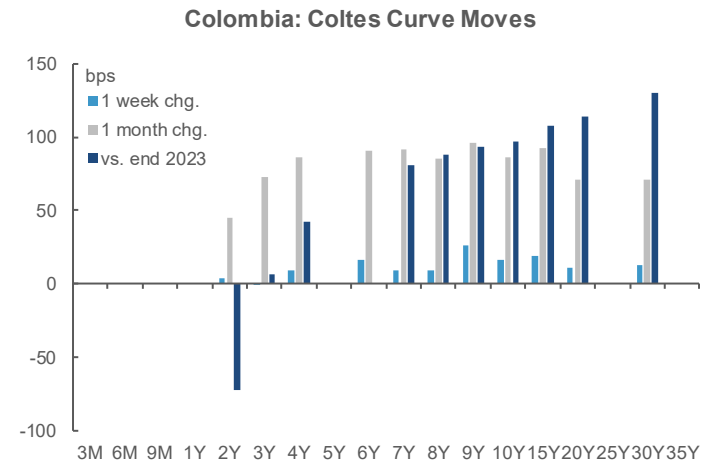
Sources: Scotiabank Economics, Bloomberg.

Chart 9



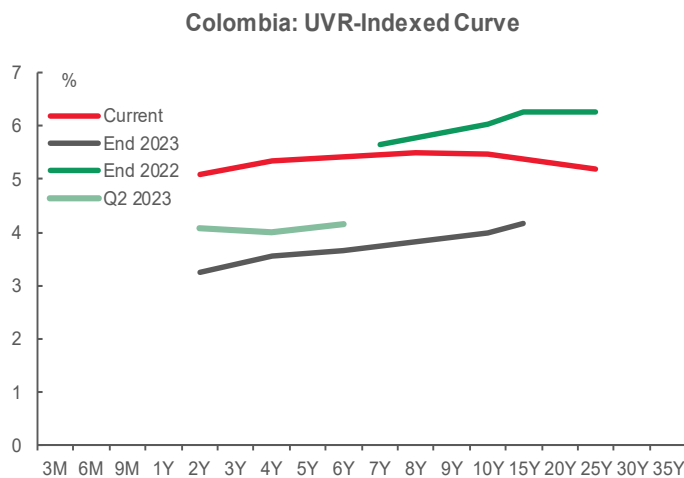
Sources: Scotiabank Economics, Bloomberg.

Chart 10



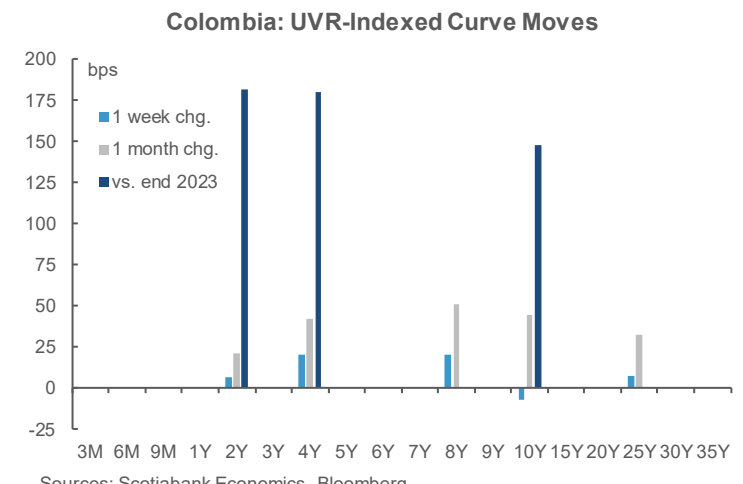
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

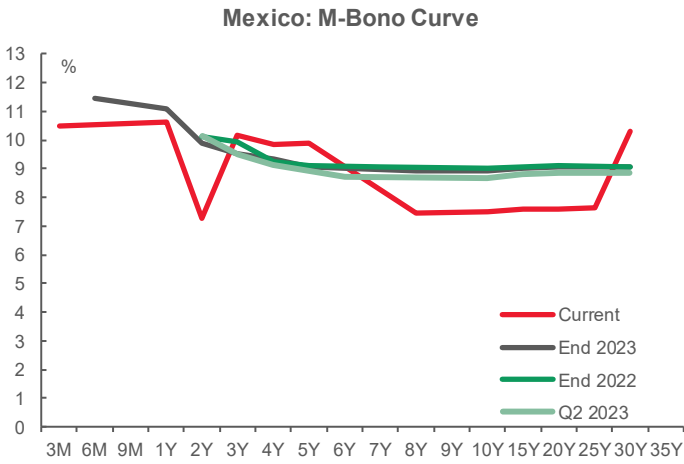
Chart 12



Sources: Scotiabank Economics, Bloomberg.

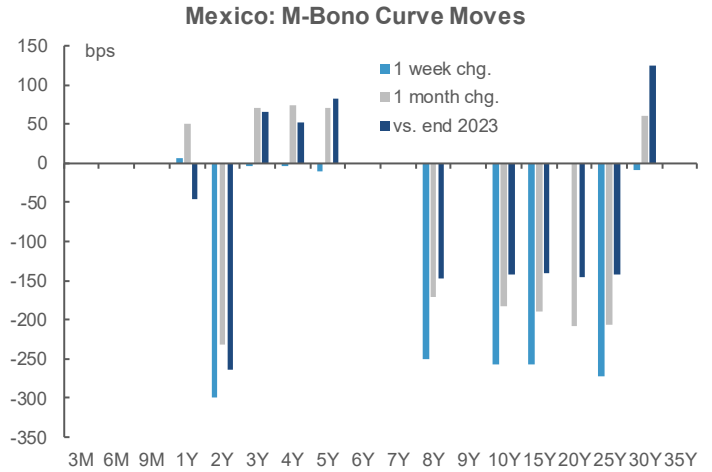
Yield Curves

Chart 13



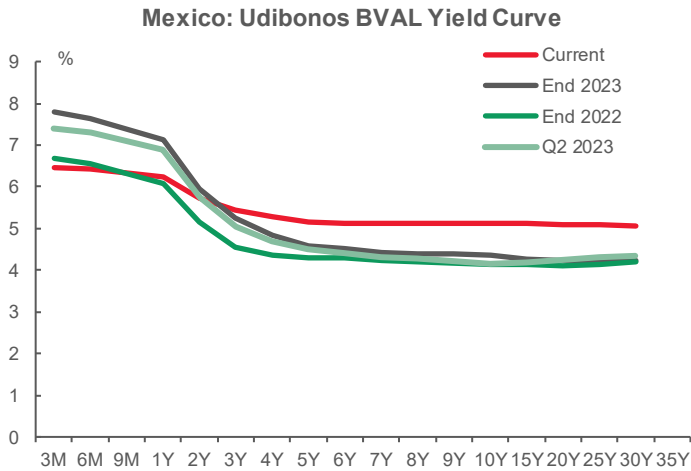
Sources: Scotiabank Economics, Bloomberg.

Chart 14



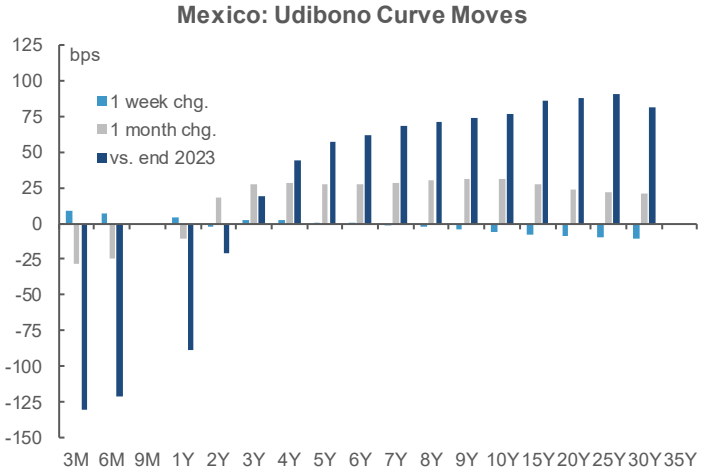
Sources: Scotiabank Economics, Bloomberg.

Chart 15



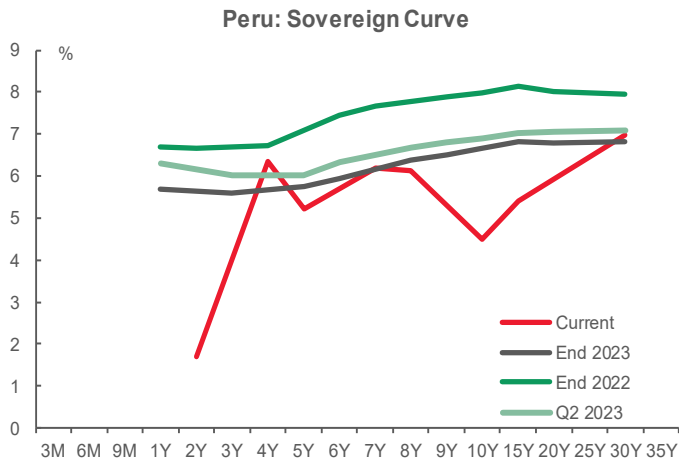
Sources: Scotiabank Economics, Bloomberg.

Chart 16



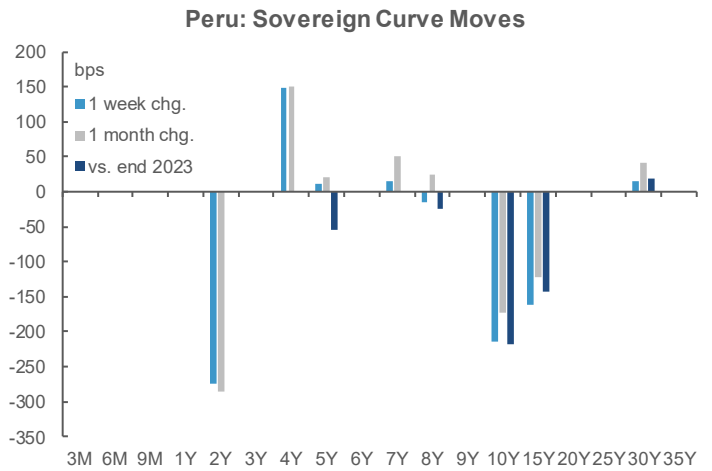
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for November 2–15

BRAZIL

<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Nov-01	7:00	FGV CPI IPC-S (%)	31-Oct	--	--	0.37	
Nov-01	8:00	Industrial Production m/m	Sep	--	1	0.1	
Nov-01	8:00	Industrial Production y/y	Sep	--	3.35	2.2	
Nov-01	9:00	S&P Global Brazil Manufacturing PMI	Oct	--	--	53.2	
Oct 29- Nov 01		Formal Job Creation Total	Sep	--	--	247818	
Nov 01-03		Vehicle Sales Fenabrave	Oct	--	--	236353	
Nov-04	3:00	FIPE CPI - Monthly (%)	Oct	--	--	0.18	
Nov-04	6:25	Central Bank Weekly Economist Survey		--			
Nov-06	6:00	FGV Inflation IGP-DI y/y	Oct	--	--	4.83	
Nov-06	6:00	FGV Inflation IGP-DI m/m	Oct	--	--	1.03	
Nov-06	8:00	S&P Global Brazil Composite PMI	Oct	--	--	55.2	
Nov-06	8:00	S&P Global Brazil Services PMI	Oct	--	--	55.8	
Nov-06	13:00	Trade Balance Monthly USD mn	Oct	--	--	5363.37	
Nov-06	13:00	Exports Total USD mn	Oct	--	--	28789	
Nov-06	13:00	Imports Total USD mn	Oct	--	--	23425.7	
Nov-06	16:30	Selic Rate (%)	06-Nov	11.25	11.25	10.75	
Nov 06-07		Vehicle Exports Anfavea BRL	Oct	--	--	41629	
Nov 06-07		Vehicle Production Anfavea	Oct	--	--	229989	
Nov 06-07		Vehicle Sales Anfavea	Oct	--	--	236334	
Nov-08	6:00	FGV CPI IPC-S (%)	07-Nov	--	--	0.37	
Nov-08	7:00	IBGE Inflation IPCA y/y	Oct	--	--	4.42	
Nov-08	7:00	IBGE Inflation IPCA m/m	Oct	--	--	0.44	
Oct 29- Nov 08		Central Govt Budget Balance BRL bn	Sep	--	-5.4	-22.404	
Nov-11	3:00	FIPE CPI - Weekly (%)	07-Nov	--	--	0.62	
Nov-11	6:25	Central Bank Weekly Economist Survey		--			
Nov-11	6:30	Primary Budget Balance BRL bn	Sep	--	-8.35	-21.425	
Nov-11	6:30	Nominal Budget Balance BRL bn	Sep	--	-61.45	-90.381	
Nov-11	6:30	Net Debt % GDP	Sep	--	62.3	62.02	
Nov-11	13:00	Trade Balance Weekly USD mn	10-Nov	--	--	688.5	
Nov-12	6:00	Central Bank Meeting Minutes		--			
Nov-12	7:00	Retail Sales Broad y/y	Sep	--	--	3.1	
Nov-12	7:00	Retail Sales y/y	Sep	--	--	5.1	
Nov-12	7:00	Retail Sales Broad m/m	Sep	--	--	-0.8	
Nov-12	7:00	Retail Sales m/m	Sep	--	--	-0.3	
Nov-13	7:00	IBGE Services Volume m/m SA	Sep	--	--	-0.4	
Nov-13	7:00	IBGE Services Volume y/y NSA	Sep	--	--	1.7	
Nov-14	6:00	FGV Inflation IGP-10 m/m	Nov	--	--	1.34	
Nov-14	7:00	Economic Activity m/m	Sep	--	--	0.2	
Nov-14	7:00	Economic Activity y/y	Sep	--	--	3.1	
Nov 15-25		Formal Job Creation Total	Oct	--	--	247818	

CHILE

<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Nov-04	6:30	Economic Activity m/m	Sep	--	0	-0.19	
Nov-04	6:30	Economic Activity y/y	Sep	1.4	1.2	2.27	
Nov-07	6:30	Central Bank Traders Survey		--			
Nov-07	6:30	Exports Total USD mn	Oct	--	--	7853.36	
Nov-07	6:30	Imports Total USD mn	Oct	--	--	6037.35	
Nov-07	6:30	Trade Balance USD mn	Oct	--	--	1816.01	
Nov-07	6:30	International Reserves USD mn	Oct	--	--	45622.8	
Nov-07	6:30	Copper Exports USD mn	Oct	--	--	4550.93	
Nov-07	7:00	Nominal Wage y/y	Sep	--	--	8.74	
Nov-08	6:00	CPI m/m	Oct	0.5	0.7	0.1	October CPI is expected to be driven almost exclusively by electricity
Nov-08	6:00	CPI y/y Chained	Oct	4.2	4.4	4.1	tariffs.
Nov 04-08		IMCE Business Confidence	Oct	--	--	46.22	
Nov-12	6:30	Central Bank Economist Survey		--			
Nov 08-13		Vehicle Sales Total	Oct	--	--	25765	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for November 2–15

COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-01	11:00	Davivienda Colombia PMI Mfg	Oct	--	--	48.1	
Nov-05		Quarterly Monetary Policy Report		--	--		
Nov-06	10:00	Exports FOB USD mn	Sep	--	--	3844.99	
Nov-06	17:00	Colombia Monetary Policy Minutes					
Nov-08	18:00	CPI m/m	Oct	0.11	0.16	0.24	The disinflationary process is expected to continue in October. Services
Nov-08	18:00	CPI y/y	Oct	5.67	5.71	5.81	will continue to show resistance to falling, however, food and utilities are
Nov-08	18:00	CPI Core m/m	Oct	0.16	0.16	0.27	expected to contribute most to inflation falling, while other items will
Nov-08	18:00	CPI Core y/y	Oct	6.45	6.44	6.55	maintain moderate variations within historical limits.
Nov-12		Consumer Confidence Index	Oct	--	--	-16	
Nov-14	10:00	Industrial Production y/y	Sep	--	--	-1.93	
Nov-14	10:00	Manufacturing Production y/y	Sep	--	--	-1.83	
Nov-14	10:00	Retail Sales y/y	Sep	--	--	5.16	
Nov-15	11:00	Economic Activity NSA y/y	Sep	--	--	2.02	
Nov-15	11:00	GDP NSA y/y	3Q	1.93	--	2.1	Note: DANE announces that GDP will be published on November 18, as
							Colombia will host the United Nations World Data Forum from November
							12 to 15, 2024. Regarding the forecast: Economic growth is expected to be
							driven by positive contributions from the primary sector, such as
							agriculture, and from service sectors like commerce and public
							administration. However, these gains are offset by declines in
							manufacturing and construction, which continue to experience decreases
							in economic activity and employment. Despite this, we anticipate that
							recovery in consumption levels and increased investment in public
							construction will accelerate during this period.
Nov-15	11:00	GDP q/q	3Q	2.21	--	0.1	

MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-01	8:00	Unemployment Rate NSA (%)	Sep	--	3	3.04	
Nov-01	11:00	S&P Global Mexico Manufacturing PMI	Oct	--	--	47.3	
Nov-01	11:00	Remittances Total USD mn	Sep	--	5950	6087.3	
Nov-01	11:00	Central Bank Economist Survey		--	--		
Nov-01	14:00	IMEF Manufacturing Index SA	Oct	--	--	49.475	
Nov-01	14:00	IMEF Non-Manufacturing Index SA	Oct	--	--	49.352	
Nov-04	7:00	Gross Fixed Investment SA m/m	Aug	--	--	1.81	
Nov-04	7:00	Gross Fixed Investment NSA y/y	Aug	--	--	6.4	
Nov-04	7:00	Vehicle Domestic Sales	Oct	--	--	116543	
Nov-04	7:00	Leading Indicators (m/m)	Sep	--	--	-0.14	
Nov-04	7:00	Private Consumption y/y	Aug	--	--	5.23	
Nov-05	10:00	International Reserves Weekly USD mn	01-Nov	--	--	226067	
Nov-05		Citi Survey of Economists		--	--		
Nov-06	7:00	Vehicle Production MXN	Oct	--	--	378583	
Nov-06	7:00	Vehicle Exports	Oct	--	--	315706	
Nov-07	7:00	CPI m/m	Oct	0.44	--	0.05	
Nov-07	7:00	CPI y/y	Oct	4.65	--	4.58	
Nov-07	7:00	CPI Core m/m	Oct	0.41	--	0.28	
Nov-07	7:00	CPI Core y/y	Oct	3.94	--	3.91	
Nov-07	7:00	Bi-Weekly CPI (%)	31-Oct	--	--	0.43	
Nov-07	7:00	Bi-Weekly CPI y/y	31-Oct	--	--	4.69	
Nov-07	7:00	Bi-Weekly Core CPI (%)	31-Oct	--	--	0.23	
Nov-07	7:00	Bi-Weekly Core CPI y/y	31-Oct	--	--	3.87	
Nov 05-08		Formal Job Creation Total (000's)	Oct	--	--	90.97	
Nov-11	7:00	Industrial Production NSA y/y	Sep	--	--	-0.93	
Nov-11	7:00	Manuf. Production NSA y/y	Sep	--	--	0.08	
Nov-11	7:00	Industrial Production SA m/m	Sep	--	--	-0.48	
Nov-11	7:00	Consumer Confidence	Oct	--	--	47.14	
Nov 07-11		Nominal Wages y/y	Oct	--	--	8.71	
Nov-12	10:00	International Reserves Weekly USD mn	08-Nov	--	--	226067	
Nov-14	14:00	Overnight Rate (%)	14-Nov	10.25	--	10.5	
Nov 11-19		ANTAD Same-Store Sales y/y	Oct	--	--	3.1	

PERU

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-01	11:00	Lima CPI y/y	Oct	2.0	2.13	1.78	
Nov-01	11:00	Lima CPI m/m	Oct	-0.1	0.02	-0.24	
Nov-07	18:00	Reference Rate (%)	07-Nov	5.25	--	5.25	
Nov-15	10:00	Economic Activity y/y	Sep	3.0	--	3.53	
Nov-15	10:00	Lima Unemployment Rate (%)	Oct	5.9	--	5.9	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

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