

Contributors

Juan Manuel Herrera
Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

THIS WEEK'S CONTRIBUTORS:

Aníbal Alarcón, Senior Economist
+56.2.2619.5465 (Chile)
anibal.alarcon@scotiabank.cl

Jackeline Piraján, Head Economist, Colombia
+57.601.745.6300 Ext. 9400 (Colombia)
jackeline.pirajan@scotiabankcolpatria.com

Valentina Guio, Senior Economist
+57.601.745.6300 (Colombia)
daniela.guio@scotiabankcolpatria.com

Rodolfo Mitchell, Director of Economic and Sectoral Analysis
+52.55.3977.4556 (Mexico)
mitchell.cervera@scotiabank.com.mx

Brian Pérez, Quant Analyst
+52.55.5123.1221 (Mexico)
bperezgu@scotiabank.com.mx

Miguel Saldaña, Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Cesar Amador, Economic Analyst
Scotiabank Economics
416.862.3080
cesar.amador@scotiabank.com

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Latam Weekly: We're Almost There, But First...

ECONOMIC OVERVIEW

- A massive week awaits in Latam and the G10, with central bank decisions and key data from all over the globe that will likely shape the trading mood for the balance of the year.
- The Fed, Banxico, BCCh, BanRep and the Riksbank are all due to lower their reference rates, while the BoE, BoJ, and Norges stay put. A flood of data starting with Peruvian GDP on Sunday to global PMIs and US PCE data will keep markets busy in between policy announcements.
- In today's weekly, our Mexico team previews Banxico's expected 25bps cut (with some chance of a larger move), our economists in Colombia look back on 2024 trends and what's ahead for 2025, and the team in Chile provides an update on tax/pension reforms.

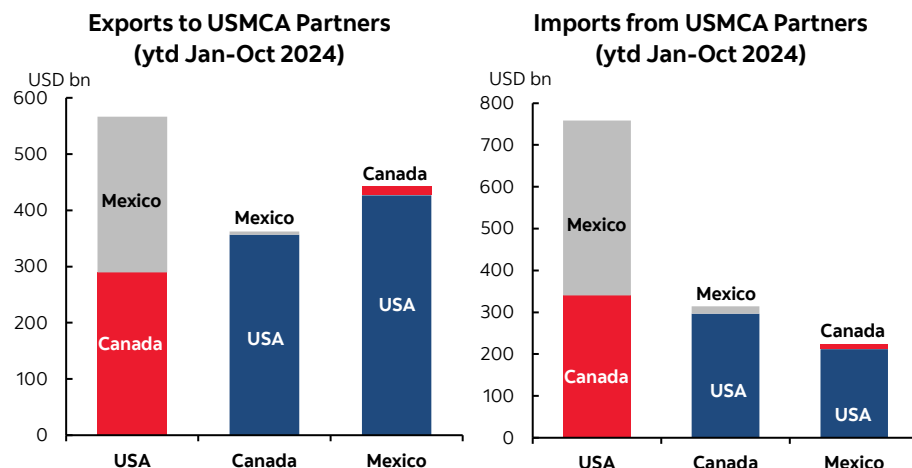
PACIFIC ALLIANCE COUNTRY UPDATES

- 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 and Mexico.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period December 14–27 across the Pacific Alliance countries and Brazil.

Charts of the Week



Sources: Scotiabank Economics, U.S. Census Bureau, Banxico, Statistics Canada, Bloomberg.

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

Economic Overview: We're Almost There, But First...

- **A massive week awaits in Latam and the G10, with central bank decisions and key data from all over the globe that will likely shape the trading mood for the balance of the year.**
- **The Fed, Banxico, BCCCh, BanRep and the Riksbank are all due to lower their reference rates, while the BoE, BoJ, and Norges stay put. A flood of data starting with Peruvian GDP on Sunday to global PMIs and US PCE data will keep markets busy in between policy announcements.**
- **In today's weekly, our Mexico team previews Banxico's expected 25bps cut (with some chance of a larger move), our economists in Colombia look back on 2024 trends and what's ahead for 2025, and the team in Chile provides an update on tax/pension reforms.**

A massive week awaits in Latam and the G10, with central bank decisions and key data from all over the globe that will likely shape the trading mood for the balance of the year. Aside from the week's main event, the Fed's decision on Wednesday, we get PMIs from the key G10, US retail sales and PCE data (among other local releases), Canadian and UK CPI, BoJ, BoE, and Norges decisions (all holds) and a Riksbank cut, possible stimulus news and key data out of China, and German chancellor Scholz very likely losing a confidence vote next week towards February elections (while a new French PM steps up the challenge).

Markets are closing the current week with a clear rates-negative tone (that has US 10y yields 7bps higher) as they brace for the Fed's decision next week while jitters about Trump's fiscally-loose stance remain and may grow as the one-month countdown to his inauguration begins on the 20th—next Friday. Moves in US markets are clearly influencing Latam assets but the countries in the region have their own share of developments and events over the coming days to influence local markets.

After the BCRP's rate hold on the 12th (see [Latam Daily](#)) and the BCB's 100bps rate hike on the 11th, BCCCh, Banxico, and BanRep officials are scheduled to deliver their final rate decision of the year on Tuesday, Thursday, and Friday, respectively. Each of these central banks is expected to lower their respective reference rates, but only in the case of Banxico is there a real chance that they go against the wish of the median economist and possibly take a larger step down. That is a wide difference to the BCB's hawkish hike of 100bps with a pledge to carry out similar moves at the next two meetings. The BCB's meeting minutes and its quarterly inflation report due next week will be key for local markets which have also been shaken by uncertainty regarding President Lula's health.

In today's weekly, our team in Mexico preview Thursday's Banxico decision where a 25bps cut seemed like a relatively safe bet a few weeks ago but recent events and data have left a 50bps cut in play. Slightly lower-than-expected inflation data for November released on the 9th added to the dovish tinge in the minutes to Banxico's mid-November meeting as well as dovish comments by Gov Rodriguez. Implied pricing in markets for next week's announcement shows about a one-in-three or one-in-two (at times) chance of a 50bps cut, while of the (still few at writing) 9 economists polled by Bloomberg, 4 are eyeing a half-point reduction.

We get the results to a couple of key surveys next week that will help narrow expectations for the meeting. On Monday, Banxico's survey of economists will provide

CONTRIBUTORS

Juan Manuel Herrera
Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

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updated macro views while Wednesday's Citi survey will show how respondents have changed their call for the meeting as in the previous edition only 3 of 24 polled predicted a 50bps move. Mexico also publishes retail sales data on Tuesday, but the numbers are unlikely to influence Banxico nor markets.

The magnitude of rate cuts by the BCCh and BanRep look much clearer, with respective cuts of 25bps and 50bps to close out the year at 5.00% and 9.75%. Last Friday's Chilean CPI miss (with headline coming in at 0.2% vs 0.3% m/m median) solidified expectations for the Costa-led institution to roll out another cut after a strong October inflation reading had perhaps teed up a rate hold in December (see [Latam Daily](#)). In today's report, our economists in Santiago look ahead to 2025, with a focus on tax reform developments towards funding the pension reform as the government and the legislature near an agreement on the matter with an eye to seal the deal in January.

As for BanRep, overshoots in headline and core inflation in November data published on the 6th (see [Latam Daily](#)) were of little consequence for expectations for the immediate policy decision, though the data acted as a reminder of the stubbornness with which inflation in the country has declined—thus further taking away from the case to cut in larger steps. COP weakness may also be having a clearer influence on goods inflation to prevent further progress there while services inflation remains supported by indexation practices (which we will see again in early-2025). The team in Bogota write in today's report about economic conditions in Colombia, with 2024 standing as a year of recovery with so-so underlying dynamics while 2025 is gearing up to be a stronger year for growth thanks to firmer consumption and investment. To get a better idea of what GDP growth will clock in at in 2024, Colombia's DANE releases industrial/manufacturing production and retail sales data for October on Monday to inform Wednesday's economic activity reading for the same month (which will go a long way in estimating Q4 growth).

Last but not least—and actually first—is Peru, who publishes October GDP and November unemployment rate data on Sunday (a classic INE move). Local markets will thus reopen to the figures on Monday which are expected to show a mild slowing of GDP growth to sub-3% levels after solid gains of 4.6%, 3.7%, and 3.2% from July to September, while the unemployment rate is expected to remain steady in the high 12s for the Lima metropolitan area (though note it is not the most influential data for the BCRP). After the weekend's releases, Peru's calendar is relatively bare of major data on tap but—in classic INE fashion—we get December CPI data on the 1st of January to remind those still awake from New Year's parties that data and markets wait for no one.

Pacific Alliance Country Updates

Chile—Pension Reform Update

Anibal Alarcón, Senior Economist
+56.2.2619.5465 (Chile)
anibal.alarcon@scotiabank.cl

In 2025, there will be presidential and parliamentary elections in Chile, which pose important challenges in terms of budget execution, in a context of limited fiscal slack, where there is difficulty in meeting revenue projections, spending pressures and a structural balance goal that seems difficult to achieve. In the midst of this, the Government is discussing the second part of the Tax Reform to be approved after the Tax Compliance Law with opposition parties, which will provide revenues of USD 1.2 billion in 2025.

The main objective of the Tax Reform will be to finance the Pension Reform. For this purpose, the Government and parliamentarians from opposition parties are close to reaching a broad agreement to approve the Reform in January 2025. For the moment, there are eight points of full agreement, among which are an increase in the taxable ceiling (up to UF 126,6), incentives for self-employed workers to contribute, and the replacement of the multifunds scheme with generational funds (see [Target-Date Funds Scheme for Chile: Main Takeaways](#)), among others. Where there is still not full agreement is on the destination of the 6 ppts of the new pension contribution. It should be noted that the government proposed to allocate 3 ppts directly to the individual accounts of contributors to increase future pensions, 2 ppts to a “social insurance” that would allow the increase of current pensions and 1 pp for gender equity. On the latter, there would be agreement to allocate 0.5 ppts of the additional contribution. Meanwhile, there is no agreement on the percentage of the contribution that would go to the “social insurance”, although there is talk of values between 1.1 and 2.5 ppts. Regarding the “social insurance”, there would be an agreement on its design, which would function as a loan that would be reflected in the individual account of the affiliates as an investment in a treasury bond and in the fiscal accounts as a contingent liability. Finally, the discussion on the separation of the industry is progressing slowly, as is the possible bidding of the stock of funds of the current contributors, where there is no agreement so far.

Colombia—Economic Context Hindered by Fiscal Risks

Jackeline Piraján, Head Economist, Colombia
+57.1.745.6300 Ext. 9400 (Colombia)
jackeline.pirajan@scotiabankcolpatria.com

Valentina Guio, Senior Economist
+57.601.745.6300 (Colombia)
daniela.guio@scotiabankcolpatria.com

The lag in investment levels and ongoing fiscal uncertainty have hindered Colombia’s economic recovery. Although the country’s economic growth accelerated to a 1.6% y/y pace in the first three quarters of 2024, an improvement compared to the modest growth of just 0.5% in 2023, the composition of this growth raises concerns. Most of the gains are driven by sectors such as agriculture (impacted by weather conditions), public administration, and leisure (including online gambling), which leaves much to be desired in terms of more sustainable and diverse growth.

In contrast, sectors that are crucial for driving greater investment and job creation have shown weak performances. For example, trade, transportation, and accommodation have grown by only 0.2% y/y from Q1 to Q3 of 2024. Even more concerning, manufacturing output has contracted by a significant 2.8% y/y through Q3, remaining in negative territory for nearly six consecutive quarters. While construction activity has performed better, with a 2.4% y/y increase, the sector remains significantly below pre-pandemic levels.

From the demand perspective, Colombian household spending appears to be on a more sustainable path following the post-pandemic credit boom. However, public consumption remains relatively weak due to fiscal revenue shortfalls. Specifically, in Q3-2024, public spending contracted by 4.6% year-over-year, marking the third-largest decline since 2005. A lack of new infrastructure projects has kept aggregate investment below pre-COVID levels, although spending on machinery and equipment is showing a more positive trend. The recovery in imports, which expanded by 11.0% year-over-year in Q4-2024, along with a 0.6 percentage point increase in the commercial deficit, indicates stabilization and some improvement in domestic demand. However, exports have remained stagnant.

In 2025, we project growth will roughly double to 2.9%, compared to an expected 1.5% in 2024 (with upside risks for the current year). While this would keep GDP growth somewhat below its potential rate, the dynamics in 2025 will be more favourable. Unlike 2024, where growth improvement masks disappointing underlying trends, the growth in 2025 will be supported by a more favourable mix. Lower inflation and reduced interest rates are expected to boost domestic demand through increased household consumption and private investment.

PUBLIC FINANCES ARE IN THE SPOTLIGHT

Despite the improvement in private demand, public investment is likely to remain subdued due to tight fiscal conditions. The Colombian government has implemented budget cuts amounting to 28.4 trillion USD this year to demonstrate its commitment to the fiscal rule. However, rating agencies and market participants, reflected in embedded risk premiums, remain cautious. Fiscal accounts will continue to be burdened by elevated interest payments, limiting the scope for growth-supportive public investment. The outlook for the next year is more challenging due to the rejection of the financing bill in Congress, which was intended to fund COP 12 trillion of the 2025 budget. As a result, the national government will need to reduce revenues in the 2025 budget by the same amount. This, coupled with a potential overestimation of tax revenues for the year, will likely lead to substantial adjustments in public spending.

STUBBORN INFLATION, DRIVEN BY AN INERTIAL STRUCTURE AND FISCAL RISKS, CONTINUES TO KEEP BANREP CAUTIOUS

When it comes to inflation, it has continued its relatively slow but gradual and consistent decelerating pace toward our projection of 5.1% at year-end 2024 (from 9.3% at year-end 2023) (chart 1). As has been the case in most countries around the world, headline prices growth in Colombia is currently a combination of soft goods inflation (running below 1%) and high services inflation (above 7%). But, unlike most major economies, Colombia’s inflation has proven particularly stubborn given the high share of the prices basket that is indexed to past inflation. To boot, minimum wage increases that are linked to past inflation also lengthen the return to on-target inflation as firms pass on salary increases to consumers.

Given still-high services inflation and fiscal risks at home and abroad (given the pressure on global rates from a fiscally loose Trump administration), the central bank (Banco de la República, BanRep) has had to stick to a cautious 50bps cut cadence despite declining headline inflation and below-potential growth (with a negative output gap) that would perhaps augur a faster pace of easing. As inflation continues its steady decline throughout 2025 into the 2%–4% BanRep target range, officials are set to extend their 50bps cut per meeting pace before taking stock at a 6.75% level from its current 9.75% (from a projected 9.25% at year-end 2024) (chart 2).

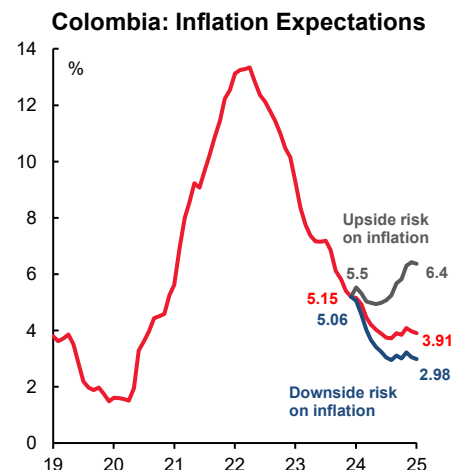
EXCHANGE RATE PERSPECTIVE MOSTLY DRIVEN BY THE INTERNATIONAL CONTEXT

The exchange rate has gradually increased due to international volatility and lower commodity prices. The expectation of the Federal Reserve landing the rates around 3% in the medium term, the expected inflationary Trump presidency, and the decline in oil prices, driven by weak demand in China, is causing the exchange rate to fluctuate at a structurally higher level compared to the end of 2023.

In Colombia, despite the fiscal noise, we think the currency should involve an additional premium for now; we currently attribute a premium of 200 pesos due to the fact that Colombia is no longer investment grade. In terms of the external accounts, we see that the current account deficit remains low (YTD up to September ~USD 5.3 bn) but is struggling to find traditional sources of financing through net inflows of FDI and capital investments, which could support a perspective of still-high volatility in the FX in the future in the case of any external shock; while remittances, which projected inflow is estimated at USD 12 bn (2.8% of GDP), are a thing to monitor under Trump’s mandate.

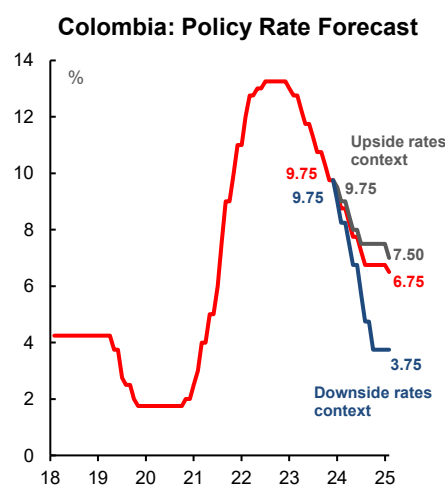
We anticipate that the exchange rate will fluctuate between COP 4,338 and COP 4,367 by the end of 2024 and 2025, still with a special focus on the domestic fiscal developments and the evolution of sources of financing. It will be interesting to see if the premiums involved in the Colombian assets are enough to change offshore investors’ appetite in 2025 given that in the previous couple of years they were on the sidelines.

Chart 1



Sources: Scotiabank Economics, BanRep.

Chart 2



Sources: Scotiabank Economics, BanRep.

Mexico—Banxico's Last Meeting with Dovish Guidance, Despite Inflationary Risks

Rodolfo Mitchell, Director of Economic and Sectoral Analysis
+52.55.3977.4556 (Mexico)
mitchell.cervera@scotiabank.com.mx

Brian Pérez, Quant Analyst
+52.55.5123.1221 (Mexico)
bperezgu@scotiabank.com.mx

Miguel Saldaña, Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Next week we will have the last important events of the year, at least of those that are scheduled. On one hand, the Federal Reserve in the United States will hold its last monetary policy meeting of 2024, where a 25 basis point cut in the benchmark interest rate from a range of 4.50%–4.75% to 4.25%–4.50% is already more than priced in (at 94.7%), in which it will be important to pay attention to possible changes in the trajectory of the reference rate, due to anticipated inflationary pressures as a result of implementation of public policies by the new administration. In this regard, several members of the Fed have been very vocal that the Fed should consider continuing the rate cut cycle gradually. In this sense, we anticipate that the terminal rate for 2025 will be in the range of 4.00%–3.75%, implying total cuts of 50 basis points throughout the year.

On the other hand, we will have a monetary policy decision from Banco de México, where the median of participants anticipated, in the latest Citi survey, a 25 basis point cut in the reference interest rate to end the year at 10.00%. However, 3 out of 34 participants anticipated a 50bps cut. Nonetheless, a couple of weeks ago, statements from the Governor in Reuters indicated that if inflation continued to converge to the target and if upward risks continued to dissipate, she saw room to increase the magnitude of future cuts. This was confirmed in the minutes published on November 28th, where two of the board members (the Governor included) opened the door to increasing the amount of cuts, although the remaining three maintained a more cautious stance due to a perception that upward risks to inflation remained and that there is a divergence in the trend of inflation towards the 3.0% target between the board's projections and those of the market, the latter being more negative than the former. In this sense and following the publication of November inflation below expectations (4.55% vs 4.60%), where the core inflation is already at 3.58% and goods continue below 3%, while services have broken the 5% level for the second consecutive month, the probability in the market that Banxico will cut its reference rate by 50bps has increased.

Thus, we anticipate a difficult decision for Banxico next week. On one hand, inflation continues to fall gradually. However, as we mentioned last week, it remains at practically the same levels as last year, and according to Banco de México's own estimates, there are around 150 basis points of possible exchange rate pass-through. Additionally, the industrial sector PPI had a significant increase, which generally precedes increases in the goods component of core inflation. On the other hand, the economy is slowing down rapidly, with most of the main drivers being very weak. This results in a tough decision. In this sense, we believe there are two scenarios. The first could be a 3:2 vote in favour of a 50 basis point cut. Or a split vote for 25 basis points. Therefore, we anticipate that Galia Borja will be the swing vote. If she does not support the 50 basis point move, then Victoria Rodríguez will likely vote for a 25 basis point cut, while Omar Mejía will go for 50bps.

Forecast Updates

	2023	2024				2025				2026				2023	2024f	2025f	2026f
	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Brazil																	
Real GDP (y/y % change)	2.4	2.6	3.3	4.0	3.6	2.7	2.1	1.8	1.8	1.8	1.9	2.0	2.0	3.2	3.4	2.1	1.9
CPI (y/y % eop)	4.6	3.9	4.2	4.4	4.9	5.1	5.0	5.0	4.6	4.3	4.1	4.0	4.0	4.6	4.9	4.6	4.0
Unemployment rate (% avg)	7.4	7.9	6.9	6.4	6.0	6.8	6.7	6.8	6.7	7.4	7.2	7.2	7.0	7.4	6.8	6.7	7.2
Central bank policy rate (% eop)	11.75	10.75	10.50	10.75	12.25	13.25	13.75	13.50	13.50	13.00	12.25	11.50	11.00	11.75	12.25	13.50	11.00
Foreign exchange (USDBRL, eop)	4.86	5.01	5.59	5.45	5.55	5.52	5.51	5.50	5.49	5.45	5.42	5.39	5.36	4.86	5.55	5.49	5.36
Chile																	
Real GDP (y/y % change)	0.4	2.5	1.6	2.3	2.5	1.1	2.9	2.8	3.2	2.0	3.5	2.0	2.5	0.2	2.2	2.5	2.5
CPI (y/y % eop)	3.4	3.2	3.8	4.0	4.7	5.1	4.5	4.2	3.5	2.3	2.8	2.9	3.0	3.4	4.7	3.5	3.0
Unemployment rate (% avg)	8.5	8.7	8.3	8.7	8.2	8.3	8.1	8.0	7.6	8.0	8.1	8.0	7.6	8.5	8.5	8.0	7.9
Central bank policy rate (% eop)	8.25	7.25	5.75	5.50	5.00	4.75	4.25	4.25	4.25	4.25	4.25	4.25	4.25	8.25	5.00	4.25	4.25
Foreign exchange (USDCPL, eop)	879	979	940	899	1,000	950	930	910	890	880	870	870	870	879	1,000	890	870
Colombia																	
Real GDP (y/y % change)	0.4	0.7	2.1	2.0	1.3	3.4	3.1	2.3	2.6	3.1	2.9	2.7	2.6	0.6	1.5	2.9	2.8
CPI (y/y % eop)	9.3	7.4	7.2	5.8	5.1	4.2	3.7	3.8	3.9	3.6	3.5	3.5	3.5	9.3	5.1	3.9	3.5
Unemployment rate (% avg)	9.4	11.9	10.4	9.6	9.6	11.5	10.0	10.1	9.9	12.0	10.1	10.9	9.8	10.2	10.4	10.4	10.7
Central bank policy rate (% eop)	13.00	12.25	11.25	10.25	9.25	8.25	7.25	6.75	6.75	6.25	6.25	5.75	5.75	13.00	9.25	6.75	5.75
Foreign exchange (USDCOP, eop)	3,855	3,852	4,153	4,207	4,338	4,349	4,358	4,375	4,367	4,356	4,363	4,355	4,364	3,855	4,338	4,367	4,364
Mexico																	
Real GDP (y/y % change)	2.4	1.4	2.2	1.6	0.5	0.6	1.0	0.9	0.8	1.8	1.8	1.9	1.7	3.3	1.5	0.8	1.8
CPI (y/y % eop)	4.7	4.4	5.0	4.6	4.6	4.1	3.9	3.8	4.0	3.8	3.8	3.8	3.7	4.7	4.6	4.0	3.7
Unemployment rate (% avg)	2.7	2.5	2.7	3.0	3.2	3.3	3.3	3.4	3.5	3.6	3.7	3.8	3.8	2.8	2.8	3.4	3.7
Central bank policy rate (% eop)	11.25	11.00	11.00	10.50	10.00	9.50	9.00	8.50	8.50	8.25	8.00	8.00	8.00	11.25	10.00	8.50	8.00
Foreign exchange (USDMXN, eop)	16.97	16.56	18.32	19.69	20.50	20.70	20.80	21.00	21.30	21.30	21.40	21.50	21.50	16.97	20.50	21.30	21.50
Peru																	
Real GDP (y/y % change)	-0.3	1.4	3.6	3.8	3.8	3.9	3.4	2.0	2.0	2.8	2.5	2.4	2.3	-0.4	3.2	2.8	2.5
CPI (y/y % eop)	3.2	3.0	2.3	1.8	2.4	2.0	2.2	2.5	2.4	2.2	2.3	2.3	2.3	3.2	2.4	2.4	2.3
Unemployment rate (% avg)	6.4	7.7	6.6	5.9	5.8	6.6	6.2	5.5	5.4	6.2	6.0	5.4	5.2	6.8	6.5	5.9	5.7
Central bank policy rate (% eop)	6.75	6.25	5.75	5.25	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	6.75	5.00	4.50	4.50
Foreign exchange (USDPEN, eop)	3.70	3.72	3.84	3.70	3.75	3.70	3.74	3.78	3.78	3.82	3.80	3.80	3.80	3.70	3.75	3.78	3.80
Canada																	
Real GDP (y/y % change)	1.2	0.8	1.1	1.5	1.6	1.9	2.2	2.1	2.1	1.8	1.3	1.4	1.5	1.5	1.2	2.1	1.5
CPI (y/y % eop)	3.2	2.8	2.7	2.0	2.0	1.9	1.9	2.1	2.0	2.1	2.1	2.0	1.9	3.2	2.0	2.0	1.9
Unemployment rate (% avg)	5.8	5.9	6.2	6.5	6.7	6.6	6.6	6.6	6.5	6.4	6.3	6.3	6.2	5.4	6.3	6.6	6.3
Central bank policy rate (% eop)	5.00	5.00	4.75	4.25	3.25	3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00	5.00	3.25	3.00	3.00
Foreign exchange (USDCAD, eop)	1.32	1.35	1.37	1.35	1.42	1.43	1.43	1.45	1.45	1.44	1.44	1.40	1.40	1.32	1.42	1.45	1.40
United States																	
Real GDP (y/y % change)	3.2	2.9	3.0	2.7	2.4	2.5	2.2	2.0	1.8	1.8	1.7	1.5	1.5	2.9	2.7	2.1	1.6
CPI (y/y % eop)	3.2	3.2	3.2	2.6	2.6	2.4	2.4	2.3	2.3	2.3	2.3	2.3	2.3	3.2	2.6	2.3	2.3
Unemployment rate (% avg)	3.7	3.8	4.0	4.2	4.2	4.2	4.1	4.1	4.1	4.1	4.1	4.1	4.2	3.6	4.1	4.1	4.1
Central bank policy rate (% eop)	5.50	5.50	5.50	5.00	4.50	4.25	4.00	4.00	4.00	3.75	3.50	3.50	3.50	5.50	4.50	4.00	3.50
Foreign exchange (EURUSD, eop)	1.10	1.08	1.07	1.11	1.05	1.02	1.02	1.00	1.00	1.03	1.03	1.07	1.07	1.10	1.05	1.00	1.07

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
 Red indicates changes in estimates and forecasts since previous *Latam Weekly* on November 1, 2024.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2023	2024				2025				2026				2023	2024f	2025f	2026f
	Q4	Q1	Q2	Q3e	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Brazil																	
Real GDP (y/y % change)	0.3	0.1	-	0.6	0.5	0.6	0.3	-	-	1.8	1.9	2.0	2.0	0.3	0.3	0.2	1.9
CPI (y/y % , eop)	-	-	-	-	0.3	0.6	0.7	0.9	0.6	4.3	4.1	4.0	4.0	-	0.3	0.6	4.0
Unemployment rate (% , avg)	-	-	-	-	-0.3	-0.3	-0.4	-0.3	-0.2	7.4	7.2	7.2	7.0	-	0.4	-0.3	7.2
Central bank policy rate (% , eop)	-	-	-	-	0.50	1.25	1.75	1.50	2.25	13.00	12.25	11.50	11.00	-	0.50	2.25	11.00
Foreign exchange (USDBRL , eop)	-	-	-	-	0.19	0.19	0.19	0.19	0.16	5.45	5.42	5.39	5.36	-	0.19	0.16	5.36
Chile																	
Real GDP (y/y % change)	-	-	-	-0.3	-1.6	-0.8	-0.2	0.1	0.8	2.0	3.5	2.0	2.5	-	-0.5	-	2.5
CPI (y/y % , eop)	-	-	-	-	0.4	0.4	0.3	0.4	-	2.3	2.8	2.9	3.0	-	0.4	-	3.0
Unemployment rate (% , avg)	-	-	-	-	0.2	0.3	0.3	0.2	0.2	8.0	8.1	8.0	7.6	-	0.1	0.3	7.9
Central bank policy rate (% , eop)	-	-	-	-	-	-	-	-	-	4.25	4.25	4.25	4.25	-	-	-	4.25
Foreign exchange (USDCLP , eop)	-	-	-	-	110.00	80.00	60.00	40.00	20.00	880.00	870.00	870.00	870.00	-	110.00	20.00	870.00
Colombia																	
Real GDP (y/y % change)	0.2	-0.1	-	0.1	-	-0.1	-	-0.3	-	3.1	2.9	2.7	2.6	-	-	-	2.8
CPI (y/y % , eop)	-	-	-	-	-0.2	-0.2	-0.3	-0.3	-0.1	3.6	3.5	3.5	3.5	-	-0.2	-0.1	3.5
Unemployment rate (% , avg)	-	-	-	-	-0.2	-0.5	-0.7	-0.6	-0.5	12.0	10.1	10.9	9.8	-	-0.1	-0.6	10.7
Central bank policy rate (% , eop)	-	-	-	-	0.25	0.75	1.25	1.25	1.25	6.25	6.25	5.75	5.75	-	0.25	1.25	5.75
Foreign exchange (USDCOP , eop)	-	-	-	-	222	229	233	235	217	4356	4363	4355	4364	-	222	217	4364
Mexico																	
Real GDP (y/y % change)	0.1	-0.1	0.1	0.2	-0.1	-	-0.2	-0.2	-0.2	1.8	1.8	1.9	1.7	0.1	0.1	-0.2	1.8
CPI (y/y % , eop)	-	-	-	-	-	-	-	-	0.2	3.8	3.8	3.8	3.7	-	-	0.2	3.7
Unemployment rate (% , avg)	-	-	-	-0.1	-	-	-	-	-	3.6	3.7	3.8	3.8	-	-0.1	-	3.7
Central bank policy rate (% , eop)	-	-	-	-	-	-	-	-	0.50	8.25	8.00	8.00	8.00	-	-	0.50	8.00
Foreign exchange (USDMXN , eop)	-	-	-	-	-	-	-	-	-	21.30	21.40	21.50	21.50	-	-	-	21.50
Peru																	
Real GDP (y/y % change)	0.1	-	-	0.2	0.5	0.2	0.2	-	-0.3	2.8	2.5	2.4	2.3	0.2	0.2	-	2.5
CPI (y/y % , eop)	-	-	-	-	-	-0.1	-0.2	0.2	-	2.2	2.3	2.3	2.3	-	-	-	2.3
Unemployment rate (% , avg)	-	-	-	-	-0.2	-	-	-0.7	-0.6	6.2	6.0	5.4	5.2	-	-	-0.4	5.7
Central bank policy rate (% , eop)	-	-	-	-	-	-	-	-	-	4.50	4.50	4.50	4.50	-	-	-	4.50
Foreign exchange (USDPEN , eop)	-	-	-	-	-	-0.05	-0.01	-0.02	-	3.82	3.80	3.80	3.80	-	-	-	3.80
Canada																	
Real GDP (y/y % change)	0.2	0.2	0.2	0.1	-0.2	-	0.2	-	-0.2	1.8	1.3	1.4	1.5	0.3	-	-	1.5
CPI (y/y % , eop)	-	-	-	-	-0.1	-0.2	-0.1	0.2	0.1	2.1	2.1	2.0	1.9	-	-0.1	0.1	1.9
Unemployment rate (% , avg)	-	-	-	-	0.1	-	-	0.1	0.1	6.4	6.3	6.3	6.2	-	-	0.1	6.3
Central bank policy rate (% , eop)	-	-	-	-	-0.25	-0.25	-	-	-	3.00	3.00	3.00	3.00	-	-0.25	-	3.00
Foreign exchange (USDCAD , eop)	-	-	-	-	0.06	0.09	0.11	0.13	0.15	1.44	1.44	1.40	1.40	-	0.06	0.15	1.40
United States																	
Real GDP (y/y % change)	-	-	-	-	0.4	0.4	0.4	0.4	-	-0.2	1.7	1.5	1.5	-	0.1	0.3	1.6
CPI (y/y % , eop)	-	-	-	-	0.1	-	0.1	0.2	0.4	2.3	2.3	2.3	2.3	-	0.1	0.4	2.3
Unemployment rate (% , avg)	-	-	-	-	-	-	-0.1	-0.1	-0.1	4.1	4.1	4.1	4.2	-	-	-0.1	4.1
Central bank policy rate (% , eop)	-	-	-	-	-	0.25	0.25	0.50	0.50	3.75	3.50	3.50	3.50	-	-	0.50	3.50
Foreign exchange (EURUSD , eop)	-	-	-	-	-0.04	-0.09	-0.09	-0.15	-0.15	1.03	1.03	1.07	1.07	-	-0.04	-0.15	1.07

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
Changes in estimates and forecasts since previous *Latam Weekly* on November 1, 2024.

Forecast Updates: Central Bank Policy Rates and Outlook

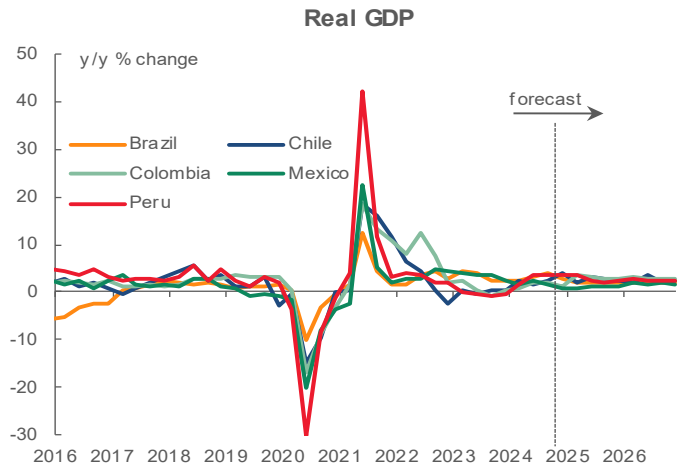
Latam Central Banks: Policy Rates and Outlook

	Current	Next Scheduled Meeting		BNS Forecast		BNS guidance for next monetary policy meeting
		Date	BNS	End-2024	End-2025	
Brazil, BCB, Selic	12.25%	Jan-29	13.25%	12.25%	13.50%	
Chile, BCCh, TPM	5.25%	Dec-17	5.00%	5.00%	4.25%	We expect a 25 bps cut in the policy rate by the Central Bank at the December meeting.
Colombia, BanRep, TII	9.75%	Dec-20	9.25%	9.25%	6.75%	The decline in inflation continues to support the continuation of the easing cycle; however, the magnitude of the cuts remains anchored to the fiscal environment and higher risk premiums on local assets. The outlook has not changed since the last meeting. Fiscal accounts remain weak, and there is a degree of uncertainty regarding the increase in the minimum wage. Additionally, inflation expectations for 2025 do not show a convergence to the 3% target, which suggests that the rate cut will continue to be gradual.
Mexico, Banxico, TO	10.25%	Dec-19	10.00%	10.00%	8.50%	This week, Banxico will hold its monetary policy meeting, where the median of participants, according to the latest Citi survey, anticipates a 25 bps cut in the reference interest rate to end the year at 10.00%. However, 3 out of 34 participants expect a 50 bps cut. Nonetheless, a couple of weeks ago, statements from the Governor in Reuters indicated that if inflation continued to converge to the target and upward risks continued to dissipate, she saw room to increase the magnitude of future cuts. This was confirmed in the minutes published on November 28th, where two of the board members (including the Governor) opened the door to increasing the size of cuts, although the remaining three maintained a more cautious stance due to a perception that upward risks to inflation persisted.
Peru, BCRP, TIR	5.00%	Dec-12	5.00%	5.00%	4.50%	BCRP kept the local rate unchanged at 5.00%, in line with our forecast at Scotiabank. The BCRP highlighted that economic activity is around its potential level. This reinforces the Central Bank's confidence. Also, there is uncertainty regarding the possible application of trade policies in the new Trump administration.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

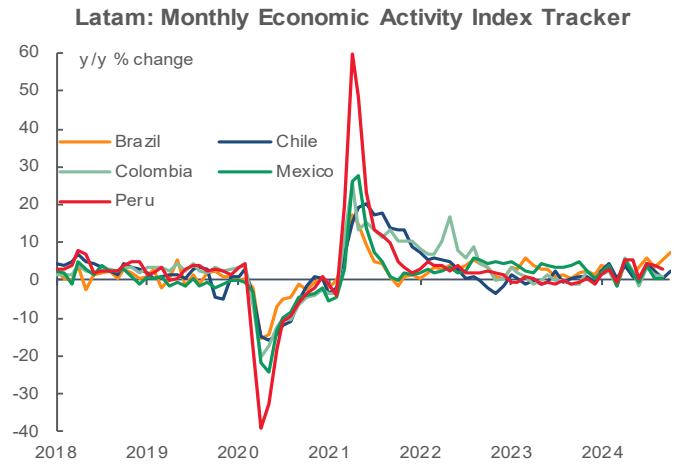
Key Economic Charts

Chart 1



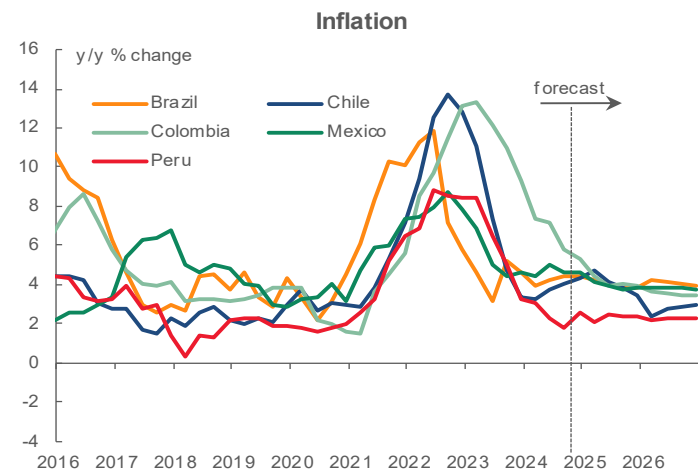
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



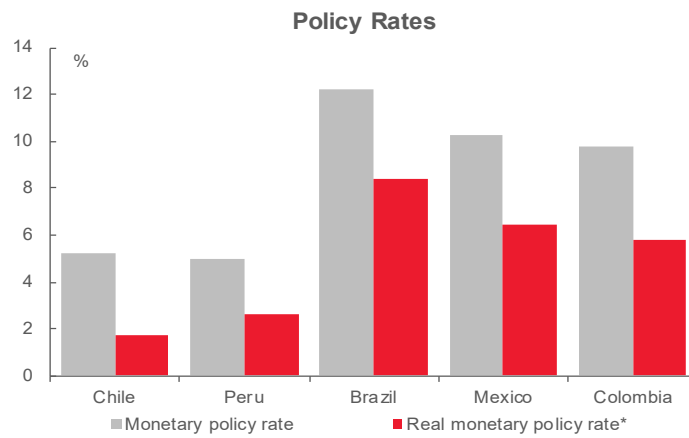
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



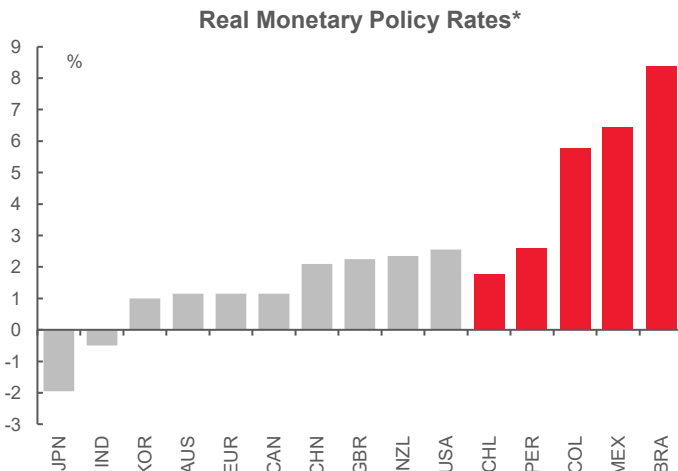
Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

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

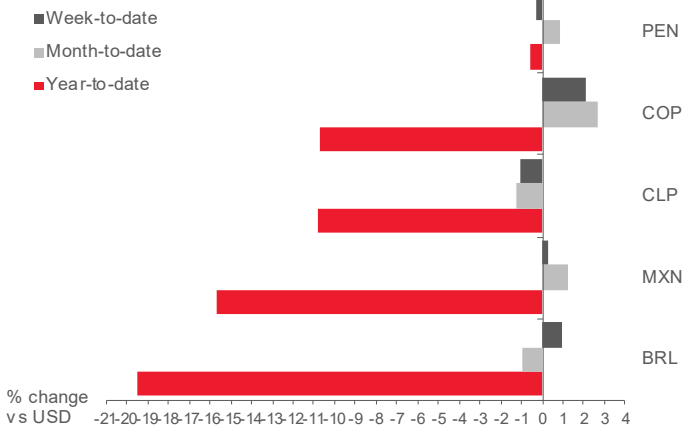


* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q4-2025, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

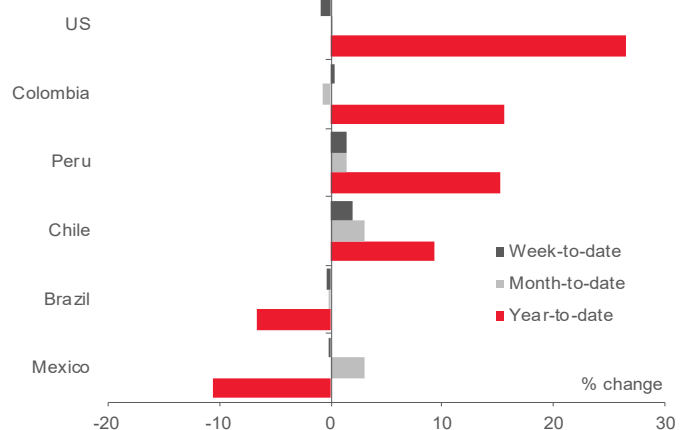
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

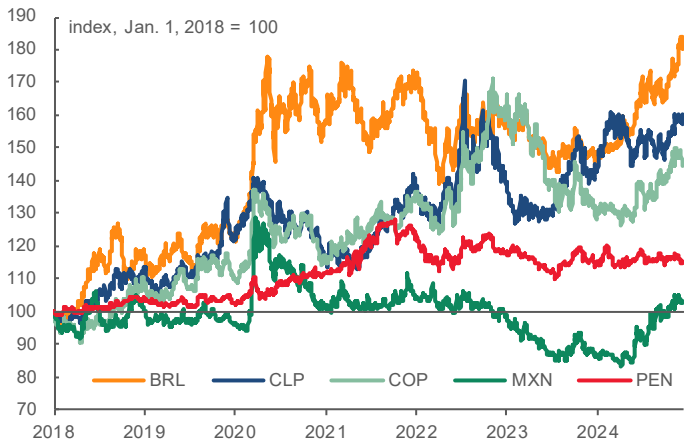
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

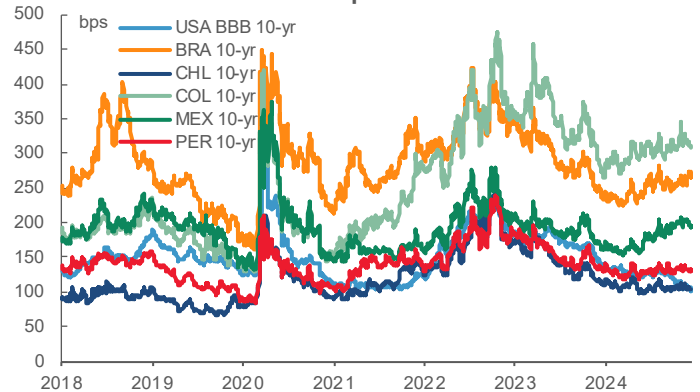
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

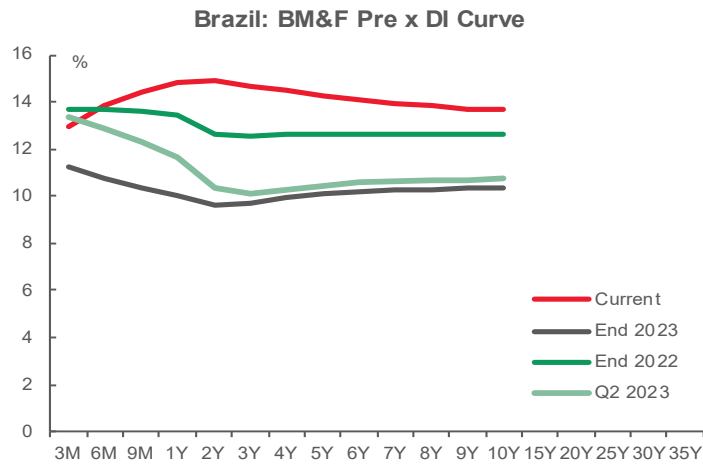
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



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

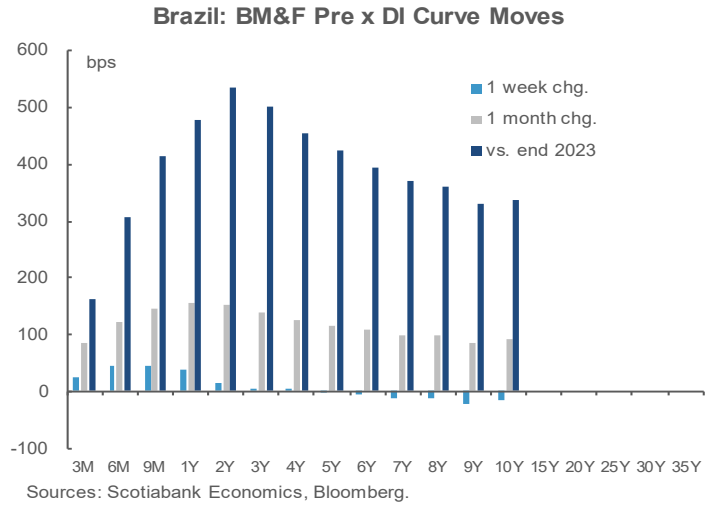
Yield Curves

Chart 1



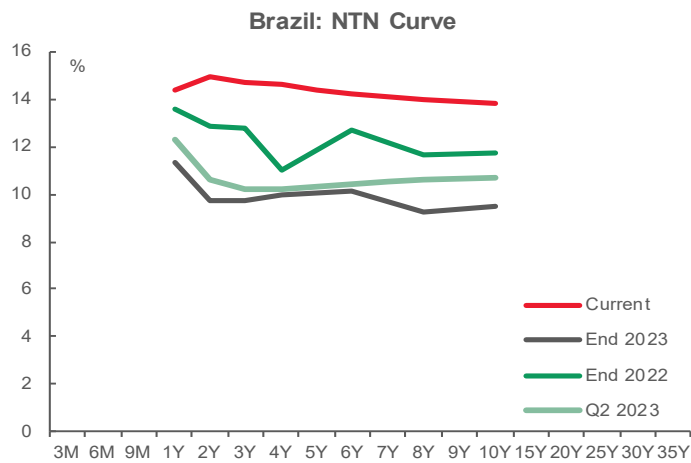
Sources: Scotiabank Economics, Bloomberg.

Chart 2



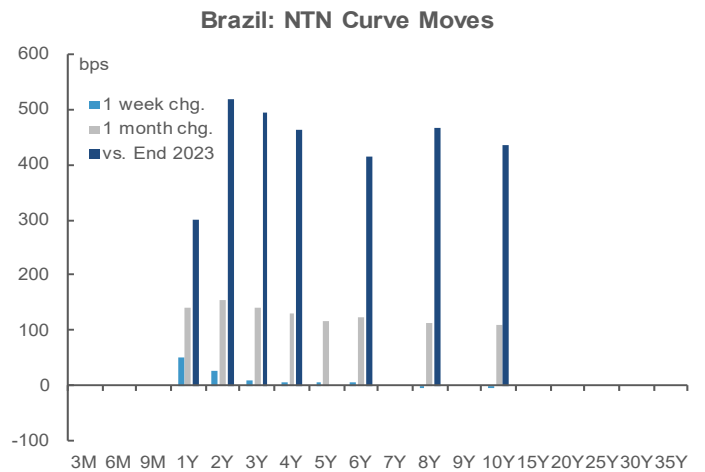
Sources: Scotiabank Economics, Bloomberg.

Chart 3



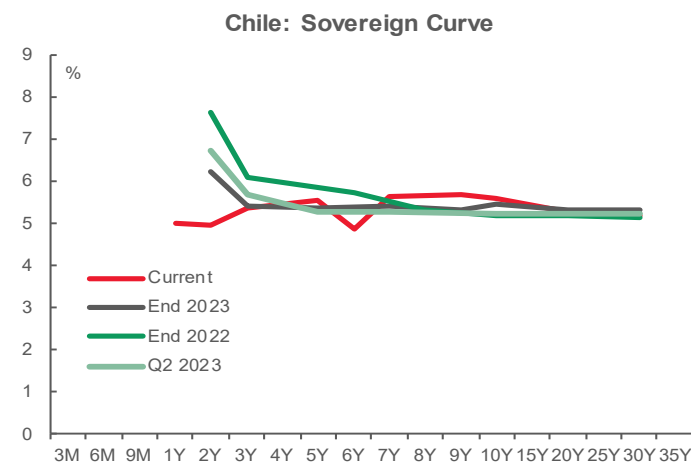
Sources: Scotiabank Economics, Bloomberg.

Chart 4



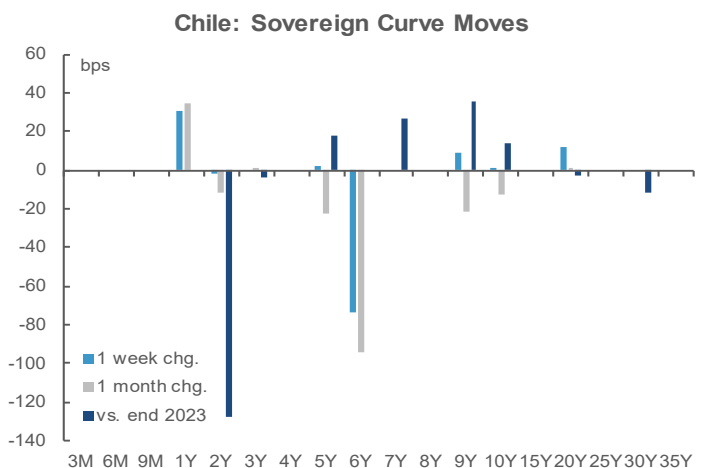
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

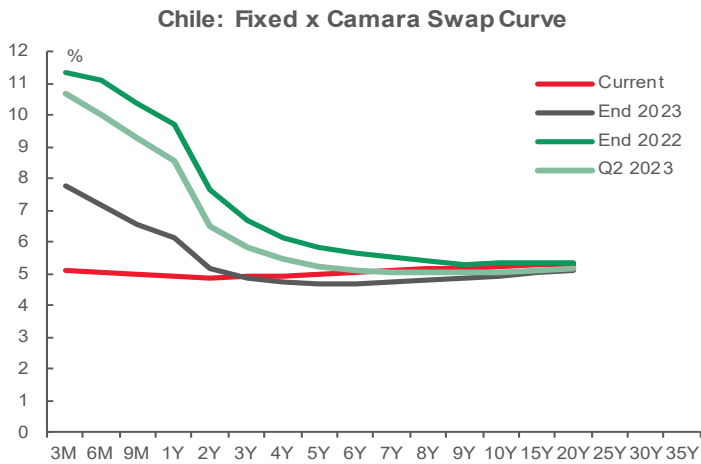
Chart 6



Sources: Scotiabank Economics, Bloomberg.

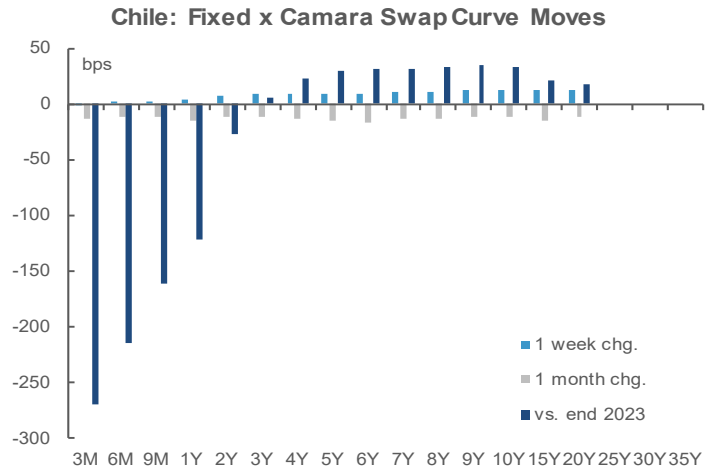
Yield Curves

Chart 7



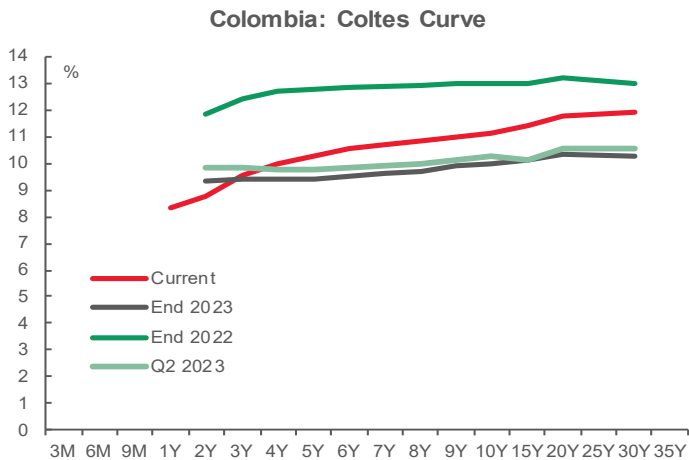
Sources: Scotiabank Economics, Bloomberg.

Chart 8



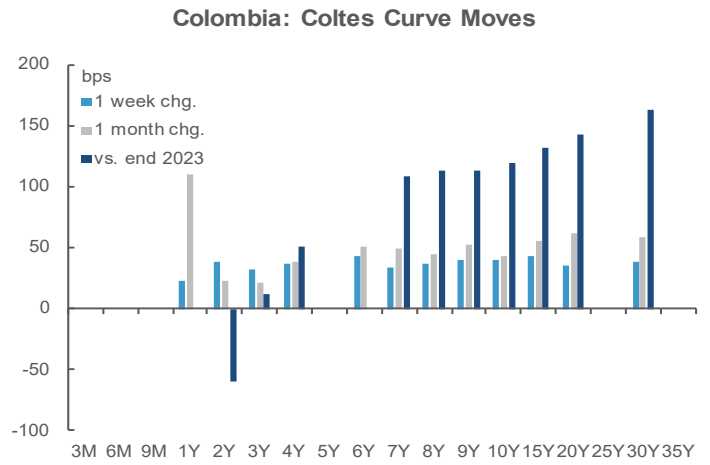
Sources: Scotiabank Economics, Bloomberg.

Chart 9



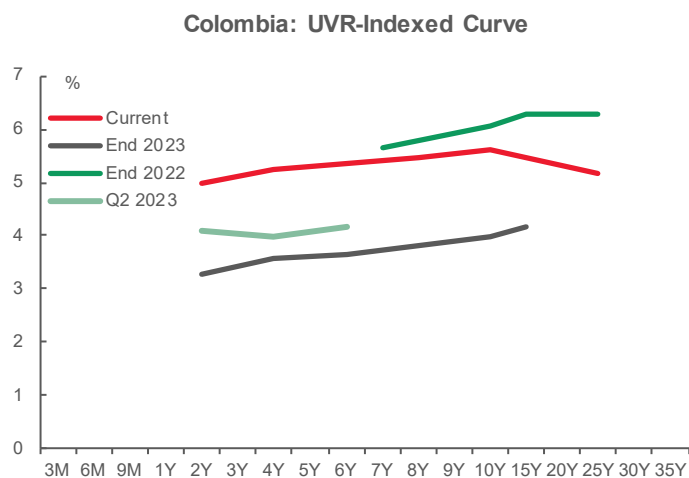
Sources: Scotiabank Economics, Bloomberg.

Chart 10



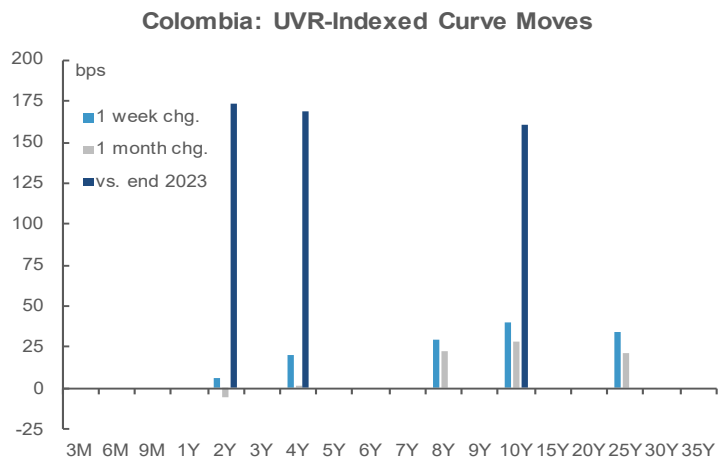
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

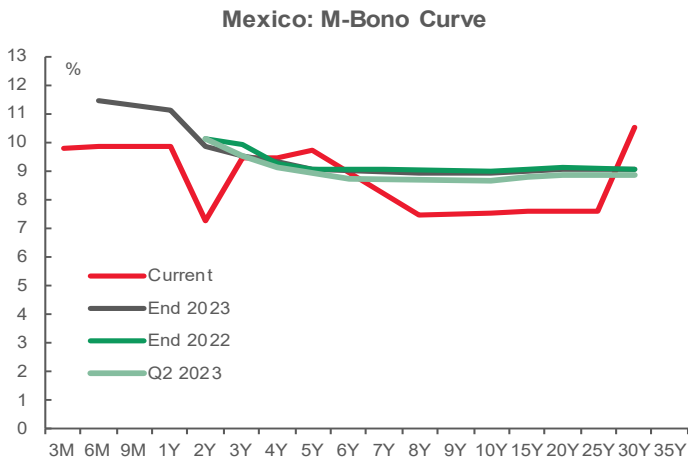
Chart 12



Sources: Scotiabank Economics, Bloomberg.

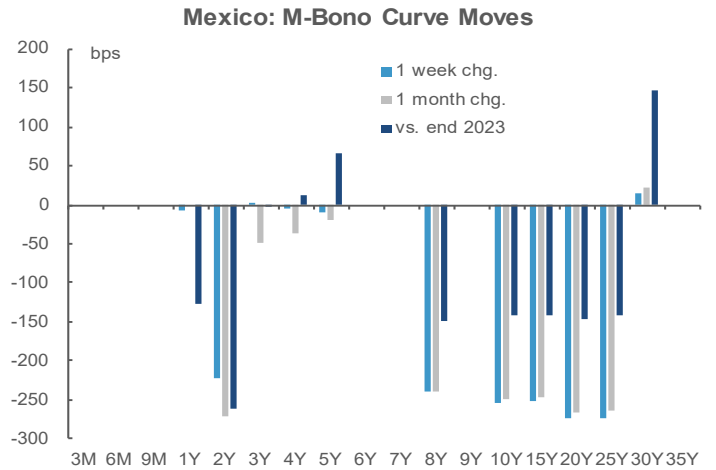
Yield Curves

Chart 13



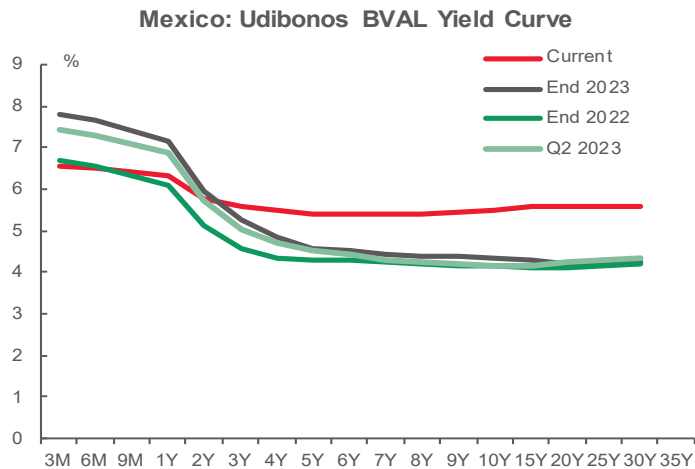
Sources: Scotiabank Economics, Bloomberg.

Chart 14



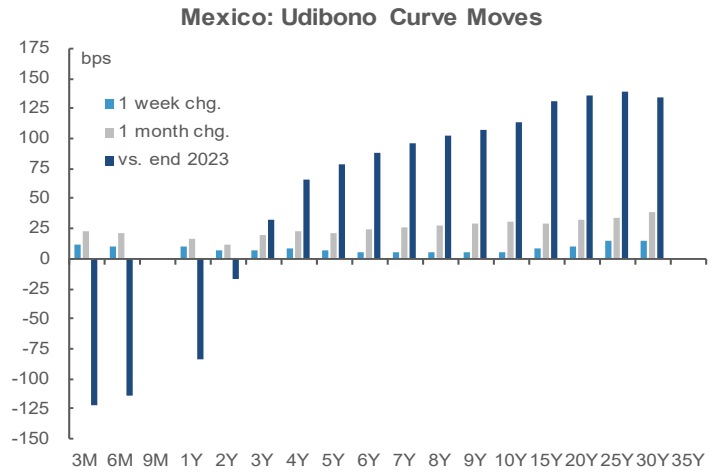
Sources: Scotiabank Economics, Bloomberg.

Chart 15



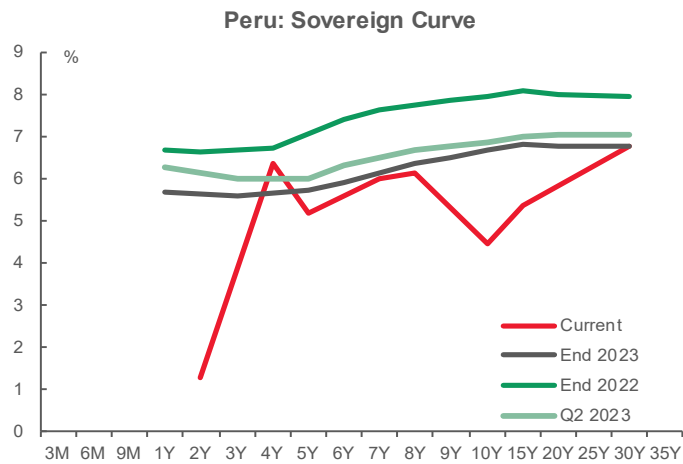
Sources: Scotiabank Economics, Bloomberg.

Chart 16



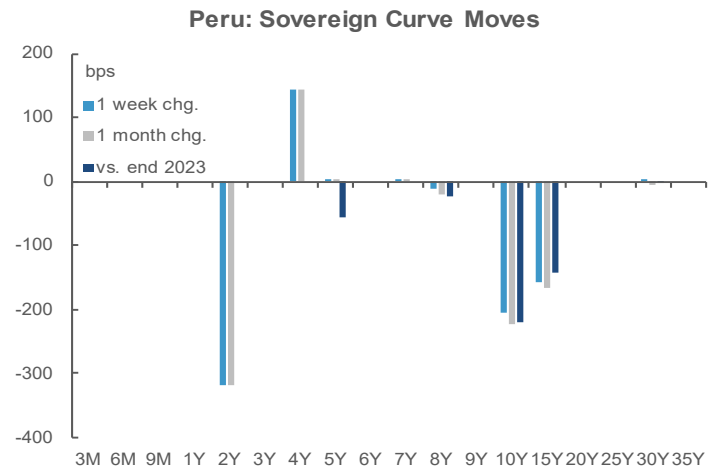
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for December 14–27

BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Dec-16	6:00	FGV CPI IPC-S (%)	16-Dec	--	--	0.0	
Dec-16	6:25	Central Bank Weekly Economist Survey		--	--		
Dec-16	13:00	Trade Balance Weekly USD mn	15-Dec	--	--	989.1	
Dec-17	3:00	FIPE CPI - Weekly (%)	15-Dec	--	--	0.98	
Dec-17	6:00	Central Bank Meeting Minutes		--	--		
Dec-19	6:00	Central Bank Quarterly Inflation Report		--	--		
Dec-20	6:00	FGV Consumer Confidence	Dec	--	--	95.6	
Dec-23	6:00	FGV Construction Costs m/m	Dec	--	--	0.44	
Dec-23	6:00	FGV CPI IPC-S (%)	20-Dec	--	--	0	
Dec-23	6:25	Central Bank Weekly Economist Survey		--	--		
Dec-23	6:30	Current Account Balance USD mn	Nov	--	--	-5879.8	
Dec-23	6:30	Foreign Direct Investment USD mn	Nov	--	--	5717.1	
Dec-23	13:00	Trade Balance Weekly USD mn	22-Dec	--	--	989.1	
Dec 20-26		Tax Collections BRL mn	Nov	--	--	247920	
Dec-27	6:00	FGV Inflation IGPM m/m	Dec	--	--	1.3	
Dec-27	6:00	FGV Inflation IGPM y/y	Dec	--	--	6.33	
Dec-27	6:30	Total Outstanding Loans BRL bn	Nov	--	--	6254.76	
Dec-27	6:30	Personal Loan Default Rate (%)	Nov	--	--	5.47	
Dec-27	6:30	Outstanding Loans m/m	Nov	--	--	0.7	
Dec-27	7:00	IBGE Inflation IPCA-15 m/m	Dec	--	--	0.62	
Dec-27	7:00	National Unemployment Rate (%)	Nov	--	--	6.2	
Dec-27	7:00	IBGE Inflation IPCA-15 y/y	Dec	--	--	4.77	
Dec-27		Central Govt Budget Balance BRL bn	Nov	--	--	40.811	
Dec 16-27		Formal Job Creation Total	Nov	--	--	132714	
Dec 26-31		Federal Debt Total BRL bn	Nov	--	--	7073	

CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Dec-17	16:00	Overnight Rate Target (%)	17-Dec	5.00	5.00	5.25	We expect a 25 bps cut in the policy rate by the Central Bank at the December meeting.
Dec-24	7:00	PPI m/m	Nov	--	--	3.2	

COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Dec-16	10:00	Industrial Production y/y	Oct	--	-1.4	-4.5	
Dec-16	10:00	Manufacturing Production y/y	Oct	--	--	-4.23	
Dec-16	10:00	Retail Sales y/y	Oct	2.5	3.95	1.55	Seasonal activity could positively impact retail sales, with technology and service-related goods driving the expansion of household consumption. However, the increase in exchange rates may counterbalance this consumer behaviour.
Dec-18	10:00	Imports CIF Total USD mn	Oct	--	--	5162.8	
Dec-18	10:00	Trade Balance USD mn	Oct	--	-1017	-687.85	
Dec-18	11:00	Economic Activity NSA y/y	Oct	2.35	2.4	1.21	The economy will continue its adjustment process, with positive contributions from primary sectors such as agriculture. However, the deceleration in public investment and the loss of momentum in the services sector will keep month-on-month variations in negative territory.
Dec-20	13:00	Overnight Lending Rate (%)	20-Dec	9.25	9.25	9.75	The Central Bank will cut rates by 50 bps. The Board has emphasized the need to maintain consistency in the easing cycle. The disinflationary process continues; however, it is not sufficient to accelerate the pace of cuts, given the fiscal noise and uncertainty about the minimum wage.
Dec-23		Industrial Confidence	Nov	--	--	-0.4	
Dec-23		Retail Confidence	Nov	--	--	17.8	
Dec-26	17:00	Colombia Monetary Policy Minutes		--	--		

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for December 14–27

MEXICO

<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>
Dec-10	17-Dec	ANTAD Same-Store Sales y/y	Nov	--	--	4.9	
Dec-16	10:00	Central Bank Economist Survey		--			
Dec-17	7:00	Retail Sales y/y	Oct	--	-1.0	-1.5	
Dec-17	7:00	Retail Sales m/m	Oct	--	--	0.1	
Dec-17	10:00	International Reserves Weekly USD mn	13-Dec	--	--	228753	
Dec-18	7:00	Aggregate Supply and Demand	3Q	--	--	2.1	
Dec-18		Citi Survey of Economists		--			
Dec-19	14:00	Overnight Rate (%)	19-Dec	10.00	10.00	10.25	
Dec-23	7:00	Trade Balance USD mn	Nov	--	--	370.76	
Dec-23	7:00	Exports USD mn	Nov	--	--	57671.2	
Dec-23	7:00	Economic Activity IGAE y/y	Oct	--	--	0.29	
Dec-23	7:00	Imports USD mn	Nov	--	--	57300.4	
Dec-23	7:00	Economic Activity IGAE m/m	Oct	--	--	0.23	
Dec-23	7:00	Bi-Weekly CPI (%)	15-Dec	--	--	-0.12	
Dec-23	7:00	Bi-Weekly CPI y/y	15-Dec	--	--	4.55	
Dec-23	7:00	Bi-Weekly Core CPI (%)	15-Dec	--	--	-0.05	
Dec-23	7:00	Bi-Weekly Core CPI y/y	15-Dec	--	--	3.57	
Dec-24	10:00	International Reserves Weekly USD mn	20-Dec	--	--	228753	

PERU

<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>
Dec-15	10:00	Economic Activity y/y	Oct	3.0	2.85	3.16	
Dec-15	10:00	Lima Unemployment Rate (%)	Nov	6.5	5.7	5.7	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

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