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# Latam Weekly: Forecast Updates See Weaker Latam Economies

## ECONOMIC OVERVIEW

- Next week's relatively quiet calendar in Latin America and on the global stage follows turbulent trading.
- In Latam, we'll watch Brazil and Colombia economic activity, Peru (Lima) unemployment, Mexican retail sales, and Colombian international trade data.
- In this edition of the *Latam Weekly*, we present updated forecasts for the core economies and extend our projection horizon to 2024.

## PACIFIC ALLIANCE COUNTRY UPDATES

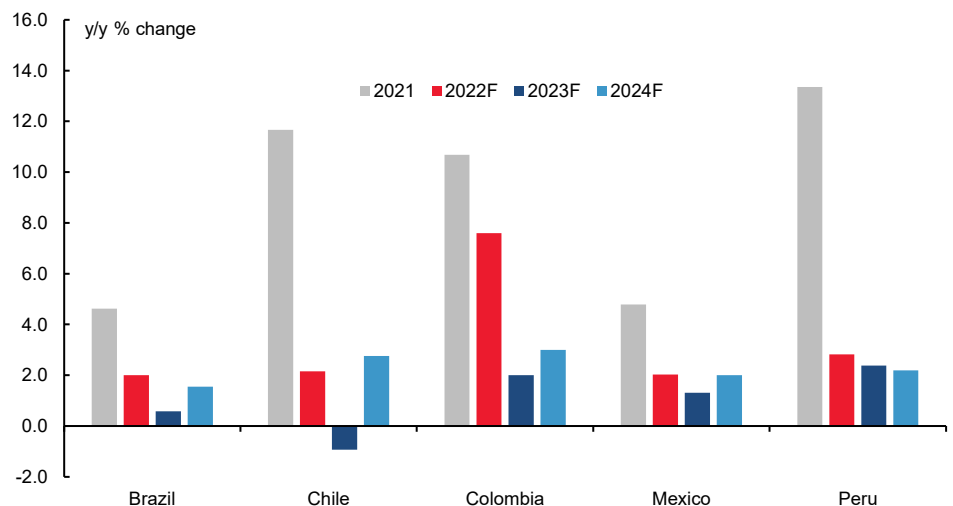
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Chile, Colombia, Mexico, and Peru.

## MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period October 15–28 across the Pacific Alliance countries and Brazil.

### Chart of the Week

Latam Economies to Downshift in 2023



Sources: Scotiabank Economics, Haver Analytics.

Chart of the Week: Prepared by: John Fanjoy, Economic Analyst.

## Economic Overview: Forecast Updates See Weaker Latam Economies

- **Next week's relatively quiet calendar in Latin America and on the global stage follows turbulent trading.**
- **In Latam, we'll watch Brazil and Colombia economic activity, Peru (Lima) unemployment, Mexican retail sales, and Colombian international trade data.**
- **In this edition of the *Latam Weekly*, we present updated forecasts for the core economies and extend our projection horizon to 2024.**

**Next week's relatively quiet calendar in Latin America and on the global stage follows turbulent trading** ahead of and following the US CPI release, with UK political developments stealing the limelight, and amid Russian bombardments of Ukrainian cities that weakened risk sentiment.

**In Latam, we'll watch Brazil and Colombia economic activity, Peru (Lima) unemployment, Mexican retail sales, and Colombian international trade data.** We'll pay particular attention to Colombia's activity figures to gauge an economic deceleration that would justify an end to BanRep's hiking cycle as soon as its October 28 meeting, when we project a 50bps increase. Peruvian lawmakers have received requests from the Attorney General's office to process a Constitutional Accusation against President Castillo, and *counter-requests* to accuse the Attorney General for operating outside of legal bounds. Next week will be key in judging how these requests will be handled by Congress.

**China's Q3 GDP and the country's 20<sup>th</sup> Party Congress are the main events to monitor outside of the Latam region** while we watch how the game of musical chairs in UK government plays out after the dismissal of Chancellor Kwarteng. UK and Canadian CPI, US housing and construction data, and central bank speakers round out the ex-Latam schedule.

**In this edition of the *Latam Weekly*, we present updated forecasts for the core economies and extend our projection horizon to 2024.**

**The main changes to our forecasts in relation to our previous *Latam Weekly* are:**

- An additional 25bps to our BCCh outlook in line with the latest rate increase, which we see as the last, accompanied by a weaker CLP profile.
- Stronger growth in Colombia in 2022 offset by weaker growth in 2023 than previously projected, with a reduction in our year-end target for BanRep amid growth concerns. We now also project a weaker COP over the current and the following four quarters.
- A similar, but smaller, adjustment in Mexican GDP growth this year and next, with a higher inflation profile, while lifting our Banxico terminal rate forecast combined with a slower easing path beyond—and thus a relatively stronger (but still depreciating) MXN.
- A higher unemployment rate forecast in Peru for 2023, with all other projected variables left practically unchanged.
- Softer GDP growth in Brazil next year, in tandem with a higher unemployment rate as well as a different inflation profile (which ultimately results in an unchanged annual CPI forecast).

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## Pacific Alliance Country Updates

### Chile—Moderate Economic Expansion in 2022 and Recession in 2023; Back to Normal in 2024

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**We maintain our GDP forecast of a 2.1% expansion in 2022 followed by a 0.9% contraction in 2023.** Year-on-year declines in economic activity are expected from Q3-2022 continuing until Q3-2023. As for the Chilean peso (CLP), we have revised our USDCLP forecast upwards to 950 for end-2022 and to 850 for end-2023, taking into account the political uncertainty related to the constituent process. The CLP continues to reflect a discount compared to its emerging market peers. With this, annual CPI inflation would continue to slow towards 12.5% y/y as of December 2022, due to a deceleration in volatile prices this year. **By December 2023, inflation would decline to 3.7% y/y, driven by the slowdown in domestic demand and an appreciation of the CLP. In this context, the central bank (BCCh) ends its tightening cycle at the present reference rate of 11.25%. For next year, we think the BCCh will be forced to cut the rate quickly and aggressively** upon the first signs of disinflation amid a negative output gap and an economy heading towards a full recession. We anticipate cuts of “no less” than 100bps during Q1-2023.

**In our view, 2024 will be a year in which the evolution of the main macroeconomic variables will return to normal, leaving the COVID-19 economic crisis behind. We expect a GDP expansion of 2.8% and annual inflation to end at 3%. With this in mind, the monetary policy rate would maintain its neutral level, at 3.5% in nominal terms (0.5% in real terms).**

### Colombia—Headwinds Ahead for 2023

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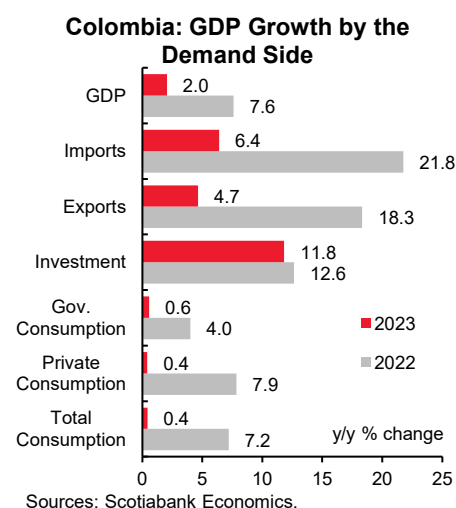
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**2022 has been a year of consolidation for the economic recovery in Colombia.** In the first quarter of the year Colombia started a full normalization of in-person activities (schools and offices). This progress led to a 10.6% pace of growth in H1-2022, exceeding market expectations due to stronger-than-expected private demand. However, recent activity data have shown that the impulse of reopening is vanishing. Either way, as Colombia is still showing positive inertia in the services sector, thus we **have revised our economic growth projection for 2022 to the upside to 7.6% from 6.6%. Looking ahead to 2023, the challenging context of still high inflation, higher rates, tax reform, and expected headwinds from the global economy, lead us to think that economic activity will soften to a 2% pace** (chart 1), which is still higher than the 0.7% growth expected by the central bank. A moderation in private consumption along with more moderate investment activity explains the change in our outlook, which previously saw a 2.9% expansion in 2023.

**Inflation has also surprised to the upside in 2022. In September, annual headline inflation rose to its highest since 1999, and we expect it to hover around 12.5% through the remainder of the year.** In the YTD, 37% of total inflation was explained by food inflation, in relation to supply-side shocks. Core inflation has also exhibited upside pressure, reflecting the impact of higher international costs and FX depreciation as tradable goods (ex-food and regulated prices) posted an 11.82% increase in prices, while services (non-tradable) inflation accelerated from 2.18% by the end of 2021 to 5.93%, showing that demand pressures exist. In Q1-2023 we expect inflation to begin to moderate, owing to a normalization in food inflation and a high statistical base effect. **By end-2023, we expect 6.11% headline inflation** (chart 2), remaining above from BanRep target range (between 2% and 4%). **In the case of core inflation, the reduction is more moderate than in the case of the headline, we expect core inflation at 9.47% by the end of 2022 and 4.89% by the end of 2023**, showing that prices will continue to be impacted by indexation effects but will moderate as a result of weaker demand.

Chart 1



All in all, monetary policy is balancing a scenario of weakening economic activity against still high inflation. BanRep has increased the key rate by 825bps since September 2021, taking the rate from 1.75% to the current 10.00%. In September, the central bank expressed concerns over economic activity and **Governor Villar highlighted that the effect of the hiking cycle would be reflected in forthcoming months. We interpret his comments as a sign that BanRep is close to the end of the hiking cycle.** In light of this, **we have changed our call to a 50bps hike at October's meeting and a potential pause in December** subject to a further weakening in the economic activity indicators and a stabilization in inflation. The pause would last for around 10 to 12 months in 2023 (chart 2 again) which indicates that the real monetary policy rate will be restrictive through most of the year. By the end of 2023, we forecast the monetary policy rate at 9%.

In the case of the currency, traditional macro fundamentals suggest the Colombian peso should be trading around **4,150 pesos, which includes a risk premium component—which surged after the credit rating downgrade in mid-2021.** However, we identify a new risk premium that involves a higher sensitivity to political announcements that looks more structural than the initial estimate. Thus, we expect and equilibrium exchange rate around USDCOP4,550 in the medium term (chart 3).

Chart 2

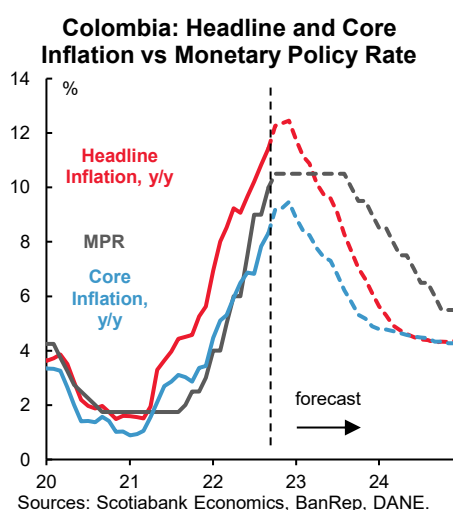
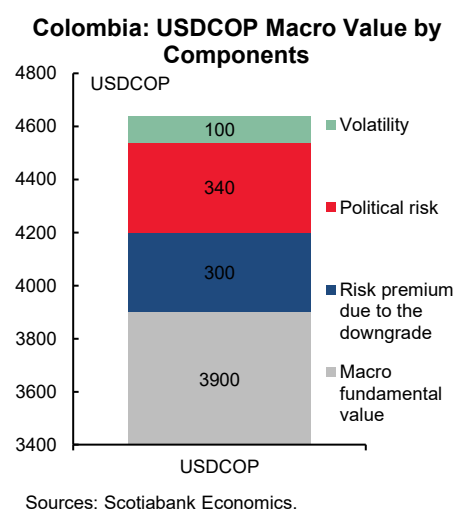


Chart 3



## Mexico—2023 Looks Set to Be a Challenging Year

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At present, consensus in Mexico still looks for growth north of 1.0% for 2023 (the Bloomberg consensus is 1.2%, while our call is for 1.3%), despite expectations for US growth falling below 1.0% (0.7% in the Bloomberg consensus). We see material risks that the US slowdown will pull Mexico's expansion south of 1.0% (maybe even 0.5%) but, for now, we keep this as a downside risk rather than our baseline scenario. Behind the Mexican economic outperformance are two main drivers: 1) net exports remaining relatively strong (at risk if we see a strong slowdown in the US, Europe, and China), and 2) still resilient domestic consumption. Up to this point, and over the past two years, one of the primary drivers of consumption has been abnormally strong remittance flows, but these are likely to come under pressure as employment in the US slows due to aggressive rate hikes amid still high inflation.

Some of the optimism is likely driven by expectations of nearshoring, but we see two risks to this expectation: 1) very high interest rates, alongside a slowing economy, are likely to dampen some investment flows, and 2) Mexico's capacity to absorb investment (including from nearshoring) is still capped from the country's limitations in access to energy, water, security costs, and availability of quality labour. We think nearshoring will be a force, but it's a story more likely to be seen in micro numbers (regional growth in parts of the country such as the Bajío and the North as well as in sectors such as logistics, manufacturing, etc.). In this context, it's worth recalling that

October 14, 2022

Mexico's 2023 budget is built on a 3.0% growth assumption, which likely means either a miss of fiscal targets (saving depletion or higher debt issuance) or spending cuts.

**On the inflation front, we do see a peak near end-2022, but the decline in inflation could be slow.** Banxico's Report of Regional Economies (analogous to the Fed's Beige Book) still has roughly 50% of manufacturing and 60% of services companies planning to increase their prices at a similar or stronger rate than current—suggesting some price stickiness. On the other hand, to comply with new labour regulations under USMCA, Mexican sectoral wage contracts must now comply with more open and transparent wage settlements, and all sectoral contracts must adhere to this mechanism by summer 2023. High inflation, combined with deadline-related pressures skewing bargaining power in favour of workers suggests that wage hikes over the next nine months will likely be close to or above 10%, imposing cost pressures on firms. **We thus see a slow convergence of inflation back to target, which in turn means that Banxico's policy easing will also be somewhat slow and limited.**

**For the exchange rate, we have a slightly more constructive view for the peso than what is currently discounted in the FX swaps market.** There are three primary reasons for this: 1) we anticipate that Banxico will be cautious and will keep a 550bps–600bps spread over the Fed, thus serving to anchor the peso; 2) with foreign investors having materially reduced their exposure to M-bonos (foreign holdings dropped from above 65% to closer to 35%), there is now relatively lower demand for buying USDMXN to hedge this exposure during periods of uncertainty; 3) despite the risk that Mexico will once again be an electoral piñata for the US election in 2024, we think rhetoric against Mexico will likely not touch NAFTA/USMCA this time around, as the new agreement seems to enjoy bilateral support, and the aforementioned labour chapter will likely keep pressure from unions north of the border at bay.

## Peru—Slowing Growth is a Secular Trend

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**Peru's GDP used to grow at a 6% to 7% pace up until a decade ago. Now, the country counts anything close to 3% as robust.** We do not foresee strong growth in the years ahead—not in the current global environment, and certainly not in the current local political environment. **We maintain our 2.8% GDP growth forecast for 2022 and 2.4% for 2023, with 2.2% penciled in for 2024.** During this period, growth is likely to rely on exports while domestic demand, and especially private investment, languishes. Output from the new Quellaveco copper mine alone will add half a percentage point to growth in 2023. Without this factor, GDP growth would be below 2%.

**As a result, we expect the employment picture to stagnate, with unemployment deteriorating mildly to a 7.5% to 8.0% range**—not all that high—but persistently higher than the pre-COVID-19 levels of under 7.0%.

**We maintain our projection of a very slow decline in inflation, with levels above the BCRP's 3.0% target range ceiling until mid-2024. The BCRP will need to keep its reference rate relatively high in the meantime, with the first decline in rates occurring in late 2023. We expect the BCRP to increase its reference rate one final time, by 25bps, in November** but, regardless of whether it does hike, we expect the terminal rate to stay in place for a full year's time.

**The PEN is much more difficult to gauge, and the relative stability in our forecast numbers is deceiving.** The PEN will balance external fundamentals, copper prices in particular, which are likely to continue to be sufficiently favourable, the strength of USD and its impact on USDPEN positioning, the spread between Peru and US interest rates, and the BCRP's determination to provide currency stability. This means interim instability as the balance of determinant fluctuates but over the long-run, the case can be made that these factors will largely balance out.

Forecast Updates

	2021		2022			2023				2024							
	Q4	Q1	Q2	Q3e	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022f	2023f	2024f
<b>Brazil</b>																	
Real GDP (y/y % change)	1.6	1.7	3.2	0.5	0.3	0.2	0.6	0.7	0.8	1.1	1.5	1.7	1.9	4.6	2.0	0.6	1.6
CPI (y/y %, eop)	10.1	11.3	11.9	7.2	6.6	6.1	5.8	5.5	5.1	5.0	4.7	4.5	4.3	10.1	6.6	5.1	4.3
Unemployment rate (% avg)	11.1	11.1	9.3	9.0	10.4	9.8	10.1	10.7	11.4	11.8	12.3	11.5	12.1	11.1	10.1	10.5	11.9
Central bank policy rate (% eop)	9.25	11.75	13.25	13.75	13.75	13.75	13.50	12.25	11.25	10.75	9.50	8.50	8.00	9.25	13.75	11.25	8.00
Foreign exchange (USDBRL, eop)	5.58	4.74	5.26	5.42	5.28	5.31	5.58	6.10	5.80	5.90	5.70	5.90	5.60	5.58	5.28	5.80	5.60
<b>Chile</b>																	
Real GDP (y/y % change)	12.0	7.4	5.4	-0.3	-3.0	-1.0	-2.4	-1.1	0.6	2.0	3.5	2.1	3.4	11.7	2.1	-0.9	2.8
CPI (y/y %, eop)	7.2	9.4	12.5	13.7	12.5	10.6	7.4	4.6	3.7	3.1	3.1	3.0	3.0	7.2	12.5	3.7	3.0
Unemployment rate (% avg)	7.2	7.8	7.8	8.0	8.0	8.5	8.9	8.9	8.3	8.2	8.0	7.3	6.2	9.1	7.9	8.7	7.4
Central bank policy rate (% eop)	4.00	7.00	9.00	10.75	11.25	10.00	7.00	5.00	3.50	3.50	3.50	3.50	3.50	4.00	11.25	3.50	3.50
Foreign exchange (USDCPL, eop)	852	786	918	969	950	900	880	870	850	800	780	770	750	852	950	850	750
<b>Colombia</b>																	
Real GDP (y/y % change)	10.8	8.6	12.6	5.2	4.0	1.8	2.0	2.1	2.2	2.4	2.9	3.2	3.4	10.7	7.6	2.0	3.0
CPI (y/y %, eop)	5.6	8.5	9.7	11.4	12.5	10.9	9.6	7.7	6.1	4.9	4.5	4.3	4.4	5.6	12.5	6.1	4.4
Unemployment rate (% avg)	11.5	13.2	11.0	10.7	10.6	11.5	10.2	10.5	10.2	11.0	10.5	10.8	10.6	13.8	10.8	10.6	10.7
Central bank policy rate (% eop)	3.00	5.00	7.50	10.00	10.50	10.50	10.50	10.00	9.00	8.00	7.00	6.00	5.50	3.00	10.50	9.00	5.50
Foreign exchange (USDCOP, eop)	4,080	3,771	4,155	4,609	4,561	4,580	4,518	4,518	4,553	4,572	4,572	4,597	4,622	4,080	4,561	4,553	4,622
<b>Mexico</b>																	
Real GDP (y/y % change)	1.1	1.8	2.0	2.6	1.6	2.4	-0.1	1.1	1.9	2.7	1.9	1.8	1.6	4.8	2.0	1.3	2.0
CPI (y/y %, eop)	7.4	7.5	8.0	8.7	8.7	7.4	6.4	5.7	5.1	4.5	4.1	4.0	3.8	7.4	8.7	5.1	3.8
Unemployment rate (% avg)	3.7	3.5	3.2	3.7	3.8	4.0	4.0	3.9	3.8	3.6	3.7	3.8	3.8	4.1	3.5	3.9	3.7
Central bank policy rate (% eop)	5.50	6.50	7.75	9.25	10.50	10.50	10.50	10.50	10.00	9.50	9.00	8.50	8.00	5.50	10.50	10.00	8.00
Foreign exchange (USDMXN, eop)	20.53	19.87	20.12	20.14	20.66	20.84	20.83	21.24	21.29	21.49	22.10	21.91	22.58	20.53	20.66	21.29	22.58
<b>Peru</b>																	
Real GDP (y/y % change)	3.5	3.8	3.3	2.0	2.3	1.9	3.0	1.8	2.8	2.6	2.6	2.3	1.3	13.3	2.8	2.4	2.2
CPI (y/y %, eop)	6.4	6.8	8.8	8.5	7.7	7.4	5.5	4.7	4.0	3.7	3.0	2.5	2.5	6.4	7.7	4.0	2.5
Unemployment rate (% avg)	7.8	9.4	6.8	7.0	7.0	7.8	7.4	7.2	7.2	8.0	7.5	7.5	7.5	10.9	7.6	7.4	7.6
Central bank policy rate (% eop)	2.50	4.00	5.50	6.75	7.25	7.25	7.25	7.25	7.00	6.75	6.50	6.00	5.50	2.50	7.25	7.00	5.50
Foreign exchange (USDPEN, eop)	4.00	3.68	3.83	3.98	3.95	3.99	3.95	3.90	3.95	3.90	3.95	3.90	3.95	4.00	3.95	3.95	3.95

Source: Scotiabank Economics.  
Red indicates changes in estimates and forecasts since previous *Latam Weekly* on September 23, 2022.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2021		2022			2023				2024								
	Q4	Q1	Q2	Q3e	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022f	2023f	2024f	
<b>Brazil</b>																		
Real GDP (y/y % change)	-	-	-	-1.9	-1.3	-0.7	-	-0.2	-0.4	-	-	-	-	-	-	-	-0.3	-
CPI (y/y %, eop)	-	-	-	-1.0	-0.5	0.4	1.4	-0.3	-	-	-	-	-	-	-	-0.5	-	-
Unemployment rate (% avg)	-	-	-	0.2	1.7	0.5	0.4	1.3	2.0	-	-	-	-	-	1.3	1.0	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDBRL, eop)	-	-	-	0.07	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Chile</b>																		
Real GDP (y/y % change)	-	-	-	0.8	-0.4	-0.6	-0.4	-0.3	1.2	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	0.1	-	0.0	-	-0.1	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	0.25	1.00	-	-	-	-	-	-	-	-	0.25	-	-	-
Foreign exchange (USDCPL, eop)	-	-	-	98.69	80.00	50.00	50.00	50.00	50.00	-	-	-	-	-	80.00	50.00	-	-
<b>Colombia</b>																		
Real GDP (y/y % change)	-	-	-	0.9	1.8	-1.8	-1.0	-0.5	-0.4	-	-	-	-	-	1.0	-0.9	-	-
CPI (y/y %, eop)	-	-	-	0.3	1.1	2.1	2.5	2.4	1.5	-	-	-	-	-	1.1	1.5	-	-
Unemployment rate (% avg)	-	-	-	-	-0.3	0.3	0.4	-0.3	-0.6	-	-	-	-	-	-	-0.1	-	-
Central bank policy rate (% eop)	-	-	-	-0.50	-1.00	-1.00	-0.50	-	-	-	-	-	-	-	-1.00	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	158.75	246.31	311.49	288.77	264.33	264.89	-	-	-	-	-	246.31	264.89	-	-
<b>Mexico</b>																		
Real GDP (y/y % change)	-	-	-	0.8	-0.4	0.7	-1.7	-0.3	0.4	-	-	-	-	-	0.1	-0.2	-	-
CPI (y/y %, eop)	-	-	-	-	0.5	0.2	-0.3	0.6	0.4	-	-	-	-	-	0.5	0.4	-	-
Unemployment rate (% avg)	-	-	-	0.1	0.1	0.1	0.1	-	-	-	-	-	-	-	-0.1	-	-	-
Central bank policy rate (% eop)	-	-	-	-	0.25	0.25	0.25	0.75	0.50	-	-	-	-	-	0.25	0.50	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-0.30	-0.31	-0.29	-0.51	-0.29	-0.36	-	-	-	-	-	-0.31	-0.36	-	-
<b>Peru</b>																		
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	0.4	-	-	0.9	0.7	1.0	-	-	-	-	-	0.0	0.6	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	0.08	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Scotiabank Economics.

Changes in estimates and forecasts since previous *Latam Weekly* on September 23, 2022.

Forecast Updates: Central Bank Policy Rates and Outlook

Latam Central Banks: Policy Rates and Outlook

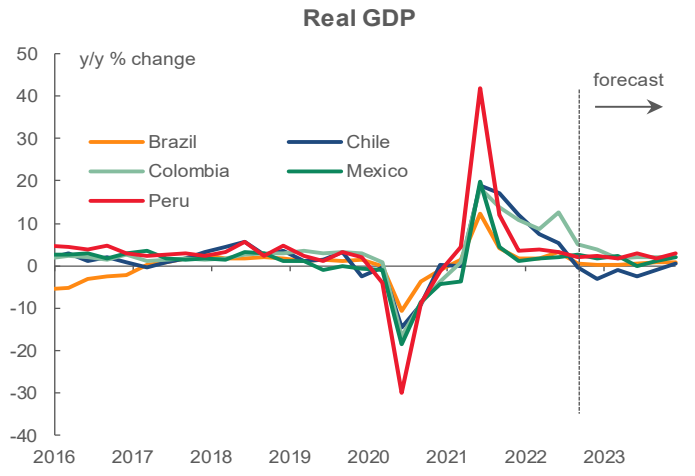
	Next Scheduled Meeting				Market Pricing		BNS Forecast		
	Current	Date	Market	BNS	12 mos	24 mos	End-2022	End-2023	BNS guidance for next monetary policy meeting
<b>Brazil, BCB, Selic</b>	13.75%	Oct-26	n.a.	13.75%	n.a.	n.a.	13.75%	11.25%	The BCB held its policy rate unchanged at its September meeting, opting against a final 'gradual' adjustment. The Bank offset this pause decision with a signal that it is ready to quickly resume its hiking cycle if inflation maintains an upward trajectory. For now, until new prices data becomes available, we maintain our view of an unchanged Selic rate until next year's easing cycle.
<b>Chile, BCCh, TPM</b>	11.25%	Dec-06	n.a.	11.25%	n.a.	n.a.	11.25%	3.50%	We expect rate cuts beginning in Q1-2023.
<b>Colombia, BanRep, TII</b>	10.00%	Oct-28	n.a.	10.50%	n.a.	n.a.	10.50%	9.00%	The central bank pointed out that concerns about economic deceleration are increasing. That said, despite the recent inflation surprises, we expect the central bank to continue to slow down the hiking cycle, increasing the reference rate by 50bps in October's meeting.
<b>Mexico, Banxico, TO</b>	9.25%	Nov-10	n.a.	10.00%	n.a.	n.a.	10.50%	10.00%	Banxico's forward guidance after it delivered the expected third consecutive 75bps hike remained practically unchanged. However, the inflation revisions that included kicking the timing of inflation convergence to Q3-2024, along with the acknowledgment that inflationary effects "will take longer to dissipate" made the communique rather hawkish. As such, our expectation is that Banxico will align to the Fed's high for long stance and will hike another 75bps in November, and another 50bps in December, leaving the rate at 10.50% at the end of 2022.
<b>Peru, BCRP, TIR</b>	7.00%	Nov-10	n.a.	7.25%	n.a.	n.a.	7.25%	7.00%	We expect a new rise of 25bps, because although the data is in the expected direction, it is probably not convincing enough yet.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.



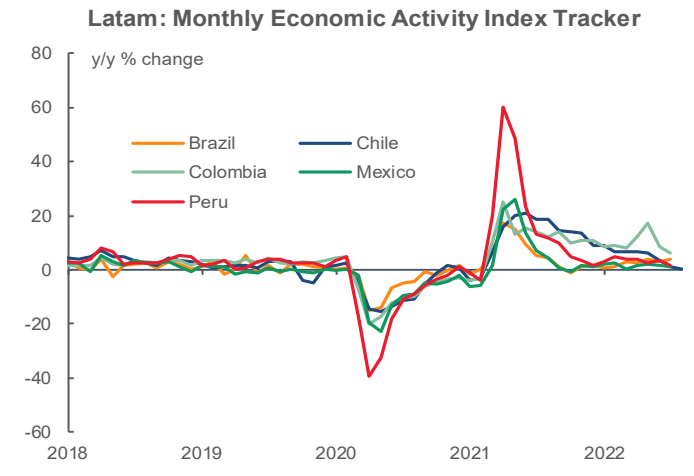
Key Economic Charts

Chart 1



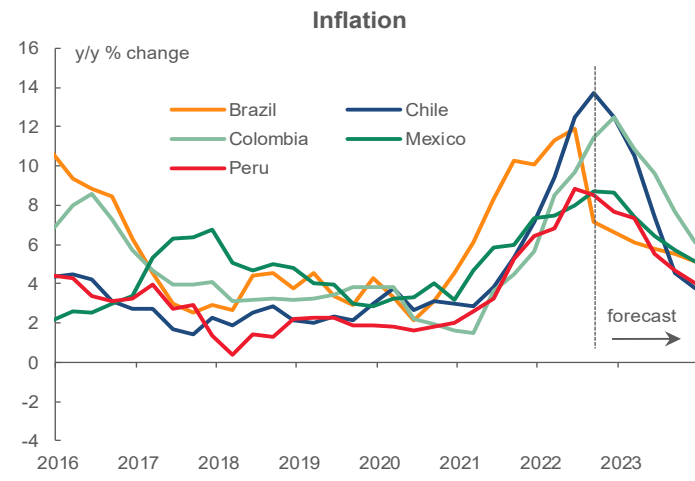
Sources: Scotiabank Economics, Haver Analytics.

Chart 2



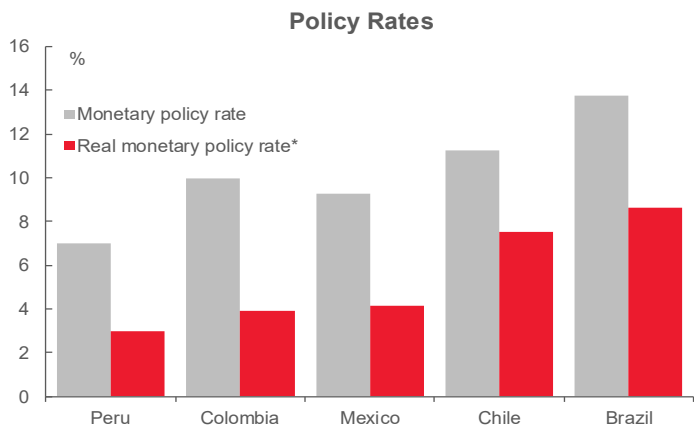
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



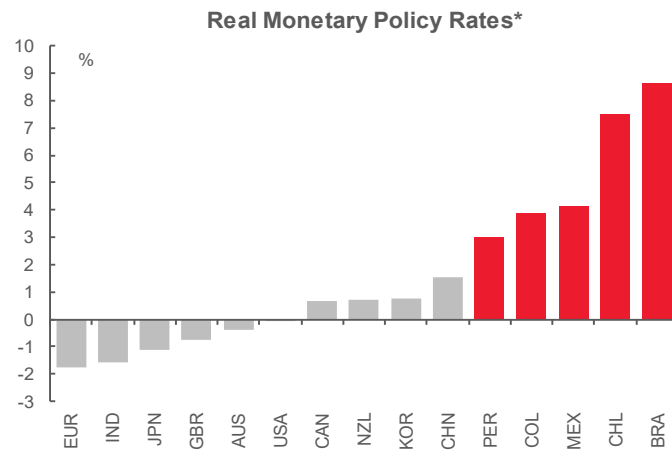
Sources: Scotiabank Economics, Haver Analytics.

Chart 4



\* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q4-2023, % y/y. Sources: Scotiabank Economics, Haver Analytics.

Chart 5



\* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q4-2023, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

Latam Currencies Performance

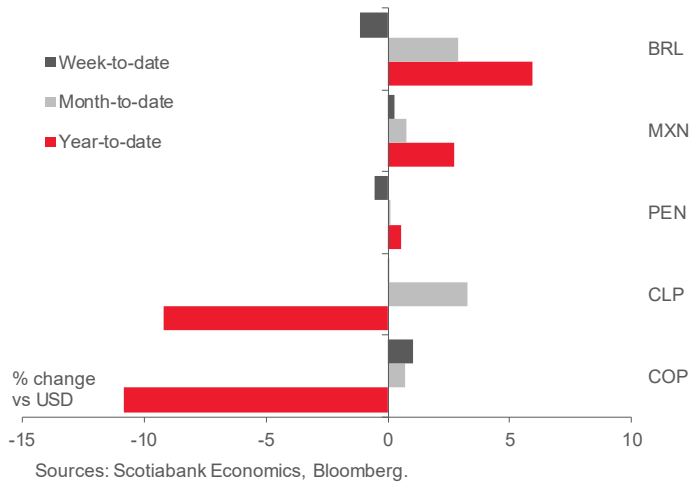


Chart 2

Latam Equities Performance

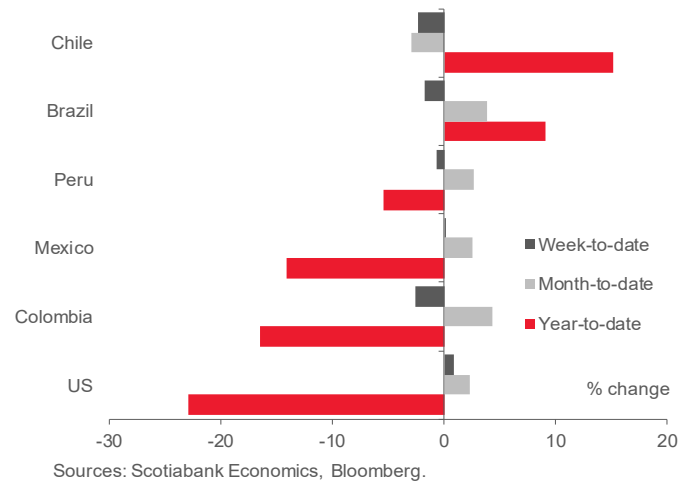


Chart 3

USD vs Latam Currencies

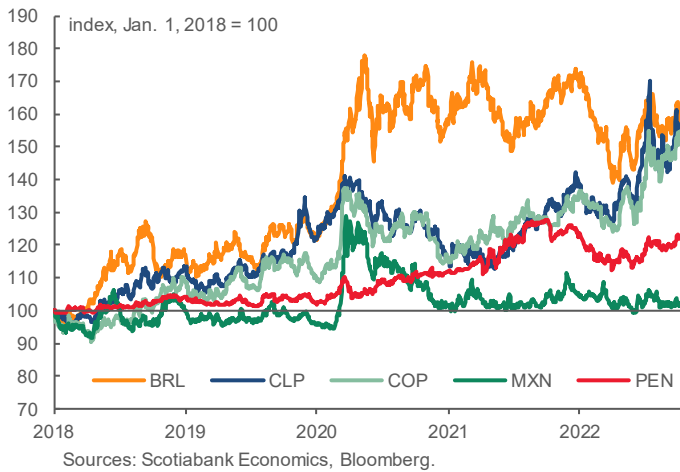
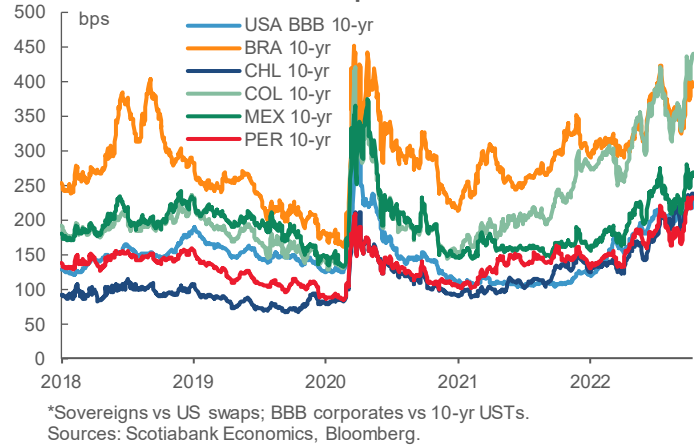


Chart 4

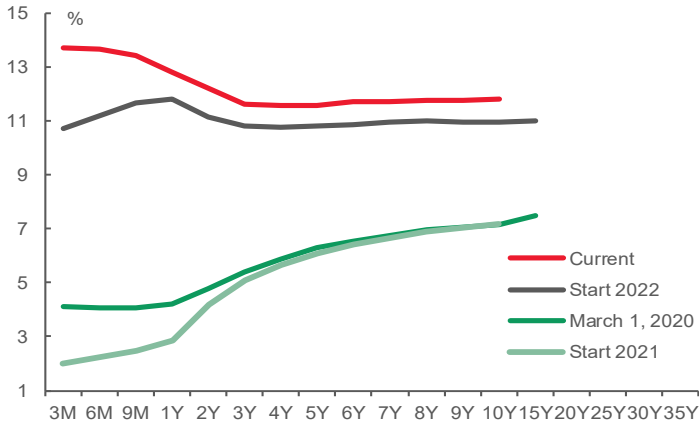
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US\*



Yield Curves

Chart 1

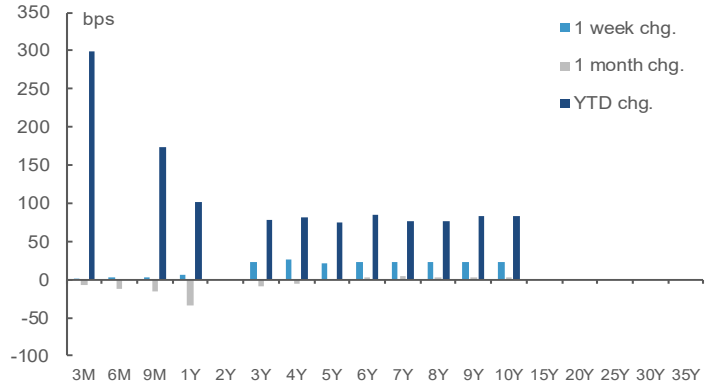
Brazil: BM&F Pre x DI Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 2

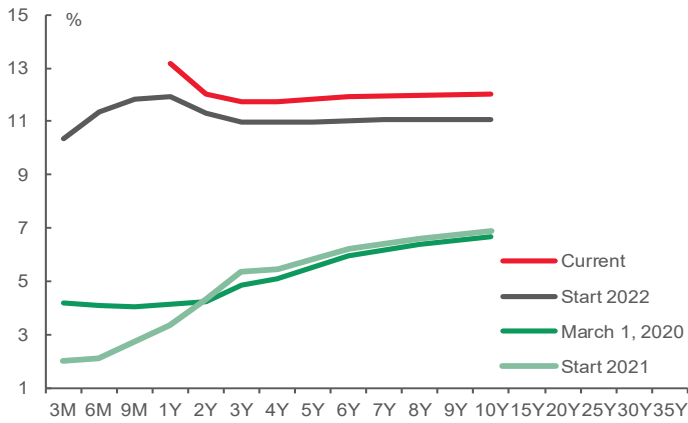
Brazil: BM&F Pre x DI Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 3

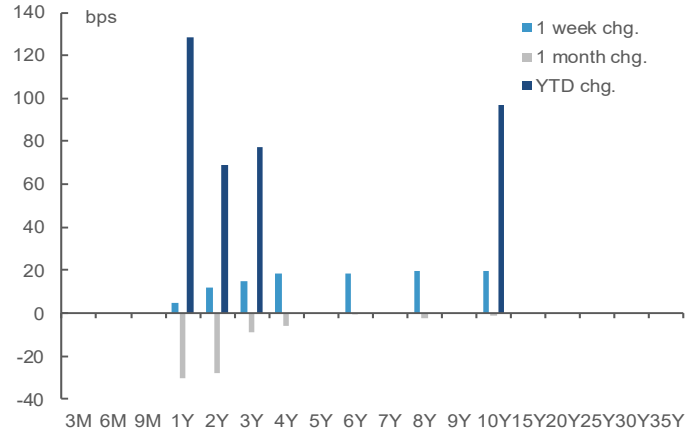
Brazil: NTN Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 4

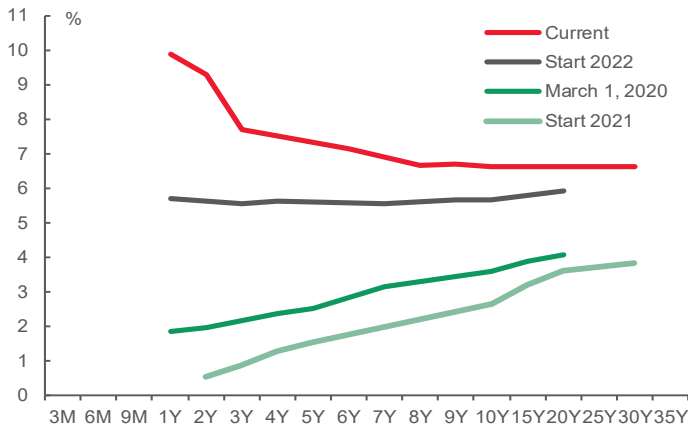
Brazil: NTN Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 5

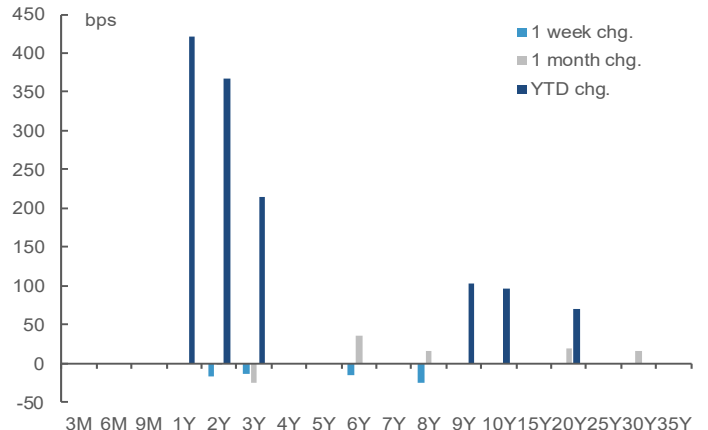
Chile: Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 6

Chile: Sovereign Curve Moves

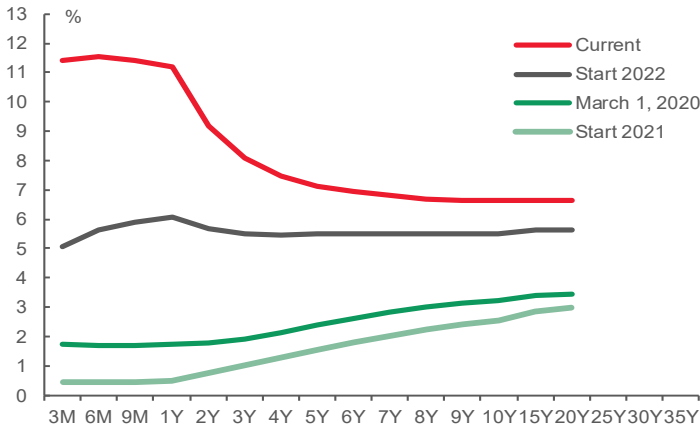


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 7

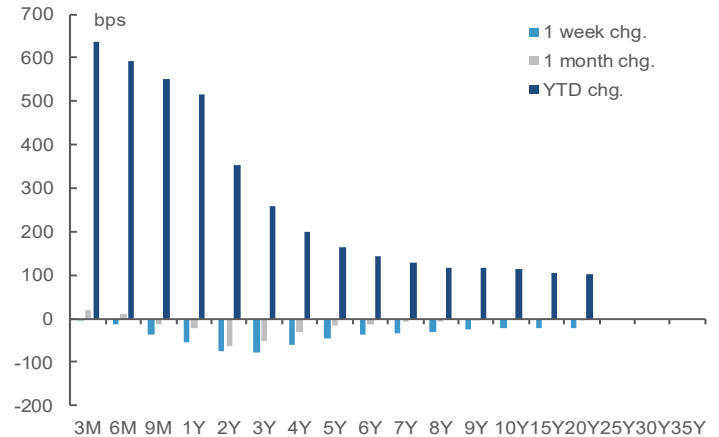
Chile: Fixed x Camara Swap Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 8

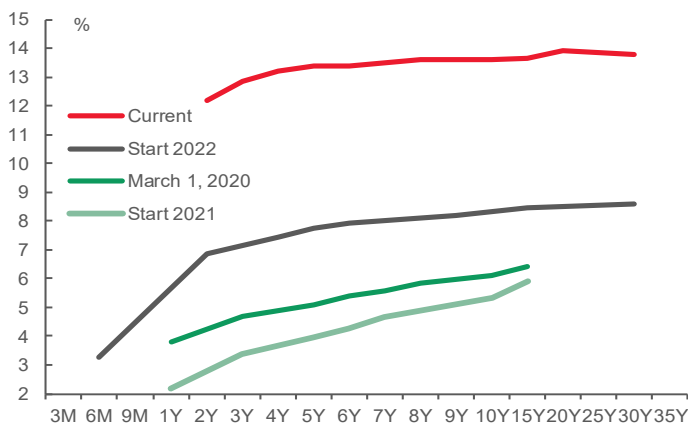
Chile: Fixed x Camara Swap Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 9

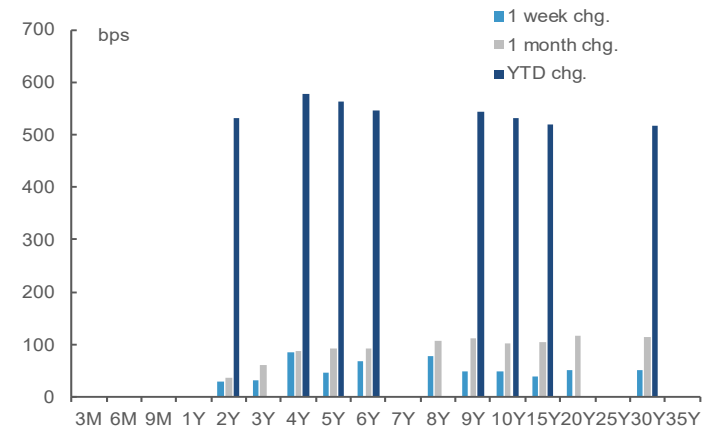
Colombia: Coltes Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 10

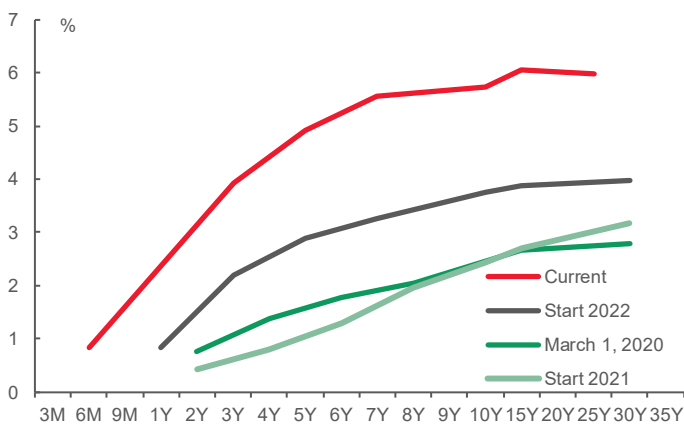
Colombia: Coltes Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 11

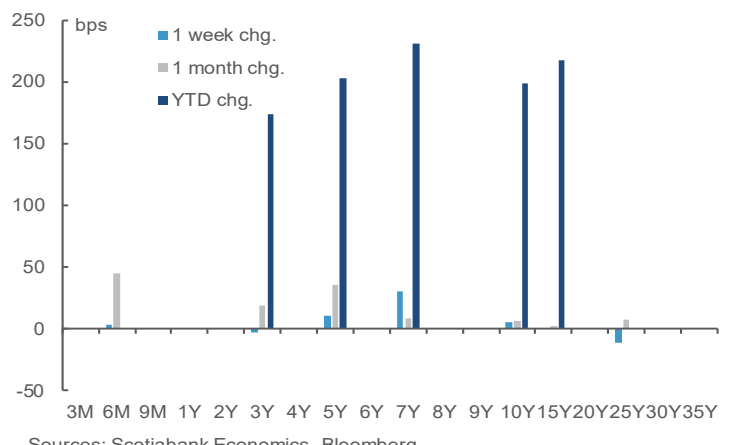
Colombia: UVR-Indexed Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 12

Colombia: UVR-Indexed Curve Moves

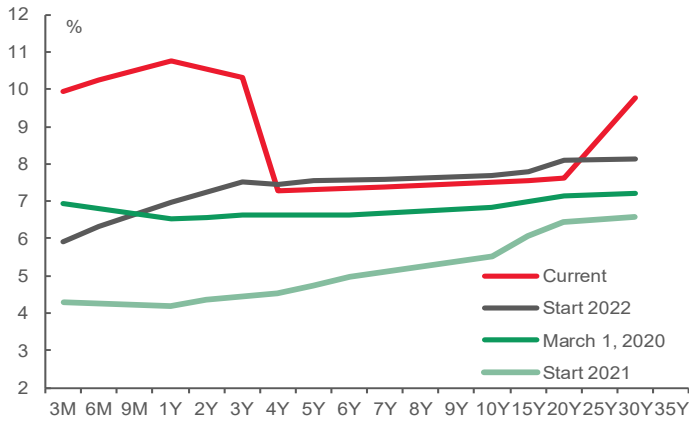


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 13

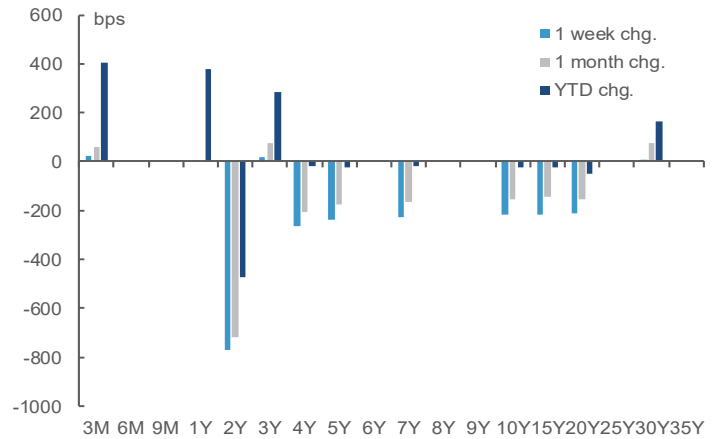
Mexico: M-Bono Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 14

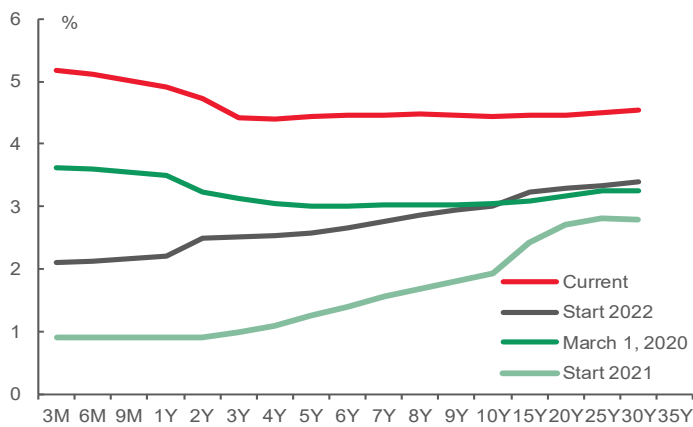
Mexico: M-Bono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 15

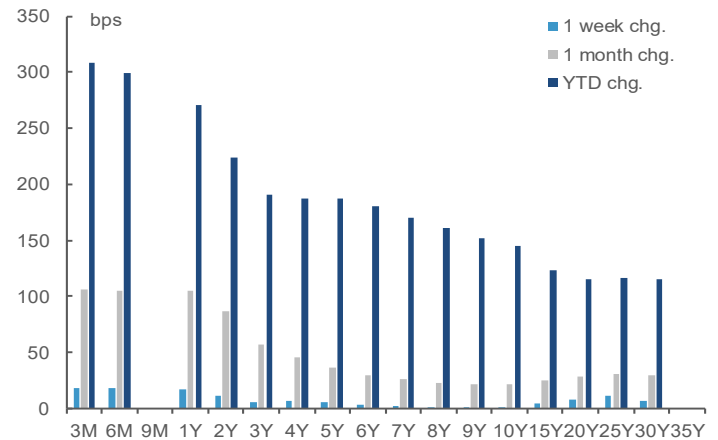
Mexico: Udibonos BVAL Yield Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 16

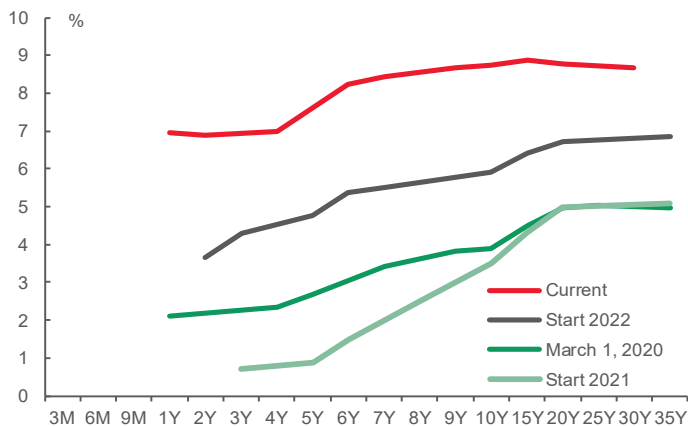
Mexico: Udibono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 17

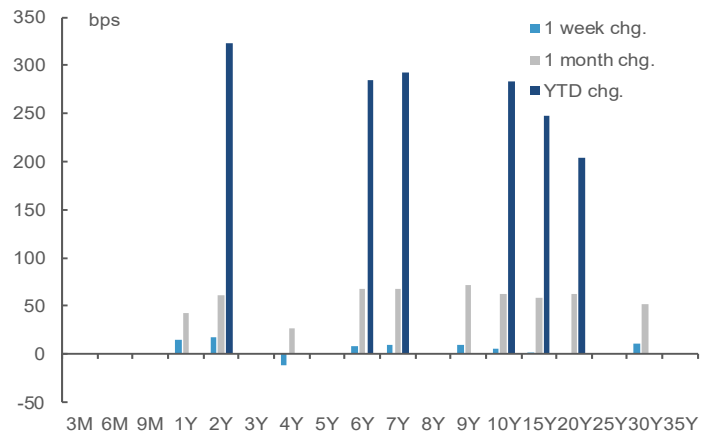
Peru: Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 18

Peru: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for October 15–28

**BRAZIL**

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-17	7:00	FGV CPI IPC-S (%)	15-Oct	--	--	--	0.3
Oct-17	7:25	Central Bank Weekly Economist Survey		--	--	--	--
Oct-17	8:00	Economic Activity (m/m)	Aug	--	-0.6	--	1.2
Oct-17	8:00	Economic Activity (y/y)	Aug	--	5.2	--	3.9
Oct-17	14:00	Trade Balance Weekly (USD mn)	16-Oct	--	--	--	1597.0
Oct-18	4:00	FIPE CPI - Weekly (%)	15-Oct	--	--	--	0.2
Oct-18	7:00	FGV Inflation IGP-10 (m/m)	Oct	--	--	--	-0.9
Oct-24	7:00	FGV CPI IPC-S (%)	22-Oct	--	--	--	0.3
Oct-24	7:25	Central Bank Weekly Economist Survey		--	--	--	--
Oct-24	8:30	Current Account Balance (USD mn)	Sep	--	--	--	-4136.1
Oct-24	8:30	Foreign Direct Investment (USD mn)	Sep	--	--	--	7722.8
Oct-24	14:00	Trade Balance Weekly (USD mn)	23-Oct	--	--	--	1597.0
Oct-25	4:00	FIPE CPI - Weekly (%)	23-Oct	--	--	--	0.2
Oct-25	7:00	FGV Consumer Confidence	Oct	--	--	--	89.0
Oct-25	8:00	IBGE Inflation IPCA-15 (m/m)	Oct	--	--	--	-0.4
Oct-25	8:00	IBGE Inflation IPCA-15 (y/y)	Oct	--	--	--	8.0
Oct-26	7:00	FGV Construction Costs (m/m)	Oct	--	--	--	0.1
Oct-26	13:30	Federal Debt Total (BRL bn)	Sep	--	--	--	5781.0
Oct-26	17:30	<b>Selic Rate (%)</b>	<b>26-Oct</b>	<b>13.75</b>	--	--	<b>13.75</b>
Oct 20-26		Tax Collections (BRL mn)	Sep	--	--	--	172314.0
Oct-27	8:00	National Unemployment Rate (%)	Sep	--	--	--	8.9
Oct-27	8:30	Total Outstanding Loans (BRL bn)	Sep	--	--	--	5067.4
Oct-27	8:30	Outstanding Loans (m/m)	Sep	--	--	--	1.6
Oct-27	8:30	Personal Loan Default Rate (%)	Sep	--	--	--	5.6
Oct-28	7:00	FGV Inflation IGPM (m/m)	Oct	--	--	--	-1.0
Oct-28	7:00	FGV Inflation IGPM (y/y)	Oct	--	--	--	8.3
Oct-28		Central Govt Budget Balance (BRL bn)	Sep	--	--	--	-50.0
Oct 24-31		Formal Job Creation Total	Sep	--	--	--	280893.0

**CHILE**

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-24	8:00	PPI (m/m)	Sep	--	--	--	-0.5
Oct-27		Central Bank Meeting Minutes		--	--	--	--
Oct-28	8:00	Manufacturing Production (y/y)	Sep	--	--	--	-4.0
Oct-28	8:00	Industrial Production (y/y)	Sep	--	--	--	-5.0
Oct-28	8:00	Unemployment Rate (%)	Sep	8.0	--	--	7.9 We expect a monthly increase in the unemployment rate due to higher growth of the labour force compared to employment.
Oct-28	8:00	Copper Production Total (Tons)	Sep	--	--	--	422888.0
Oct-28	8:00	Commercial Activity (y/y)	Sep	--	--	--	-11.9
Oct-28	8:00	Retail Sales (y/y)	Sep	-13.0	--	--	-13.2 Purchases with credit and debit cards confirm a hard-landing. We forecast retail sales decreased 13% y/y (-2% m/m) in September.

**COLOMBIA**

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-18	12:00	Economic Activity NSA (y/y)	Aug	6.9	6.35	--	6.4 In August, we expect the economy to continue with a trend of moderation. In the primary sector, there is still a lag in production, especially in mining. In the secondary sector, construction seems weak, especially because of civil work. Meanwhile, the tertiary sector maintains a positive dynamic but at a more moderate pace.
Oct-19	11:00	Trade Balance (USD mn)	Aug	--	-1865	--	-494.2
Oct-19	11:00	Imports CIF Total (USD mn)	Aug	--	6985	--	6890.9
Oct-26		Retail Confidence	Sep	--	--	--	26.9
Oct-26		Industrial Confidence	Sep	--	--	--	7.1
Oct-28	14:00	<b>Overnight Lending Rate (%)</b>	<b>28-Oct</b>	<b>10.50</b>	<b>10.50</b>	<b>10.00</b>	<b>10.00</b> The central bank is expected to deliver a lower hike of 50bps as concerns about economic activity increased among the Board. Inflation is expected to be lower in 2023 and it could contribute to the central bank considering a pause in the hiking cycle.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

## Market Events &amp; Indicators for October 15–28

## 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>
Oct-18	10:00 International Reserves Weekly (USD mn)	14-Oct	--	--	196963.0	
Oct-20	Banamex Survey of Economists		--	--	--	
Oct-21	7:00 Retail Sales (m/m)	Aug	--	--	0.9	
Oct-21	7:00 Retail Sales (y/y)	Aug	--	--	5.0	
Oct-24	7:00 Bi-Weekly CPI (%)	15-Oct	--	--	0.1	
Oct-24	7:00 Bi-Weekly Core CPI (%)	15-Oct	--	--	0.2	
Oct-24	7:00 Bi-Weekly CPI (y/y)	15-Oct	--	--	8.6	
Oct-24	7:00 Bi-Weekly Core CPI (y/y)	15-Oct	--	--	8.3	
Oct-25	7:00 Economic Activity IGAE (m/m)	Aug	--	--	0.4	
Oct-25	7:00 Economic Activity IGAE (y/y)	Aug	--	--	1.3	
Oct-25	10:00 International Reserves Weekly (USD mn)	21-Oct	--	--	196963.0	
Oct-27	7:00 Unemployment Rate NSA (%)	Sep	--	--	3.5	
Oct-27	7:00 Trade Balance (USD mn)	Sep	--	--	-5498.2	
Oct-27	7:00 Exports (USD mn)	Sep	--	--	50670.0	
Oct-27	7:00 Imports (USD mn)	Sep	--	--	56168.2	
Oct-28	Budget Balance YTD (MXN bn)	Sep	--	--	-285.1	

## 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>
Oct-17	Economic Activity (y/y)	Aug	2.0	--	--	1.4 Economic activity is largely driven by sectors linked to domestic demand, such as commerce and services, mainly hotels and restaurants.
Oct-17	Lima Unemployment Rate (%)	Sep	7.0	--	--	7.3 Gradual recovery in the labour market, mainly commerce and services.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

## Scotiabank Economics Latam Coverage

## Local Market Coverage

## CHILE

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