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Latam Weekly: Banxico and BCRP to Hike Alongside Key Inflation Data

ECONOMIC OVERVIEW

- Next week's regional and global calendars bring key inflation releases that will help refine central bank expectations for the remainder of the year and into next.
- Mexico's and Peru's central banks will deliver widely-expected rate increases, and Colombia, Chile, Mexico, and Brazil publish October inflation data.
- Domestic markets will focus on their respective inflation releases and central bank decisions, but the global market's attention will be on US CPI data due Thursday as well as Tuesday's midterm elections.

PACIFIC ALLIANCE COUNTRY UPDATES

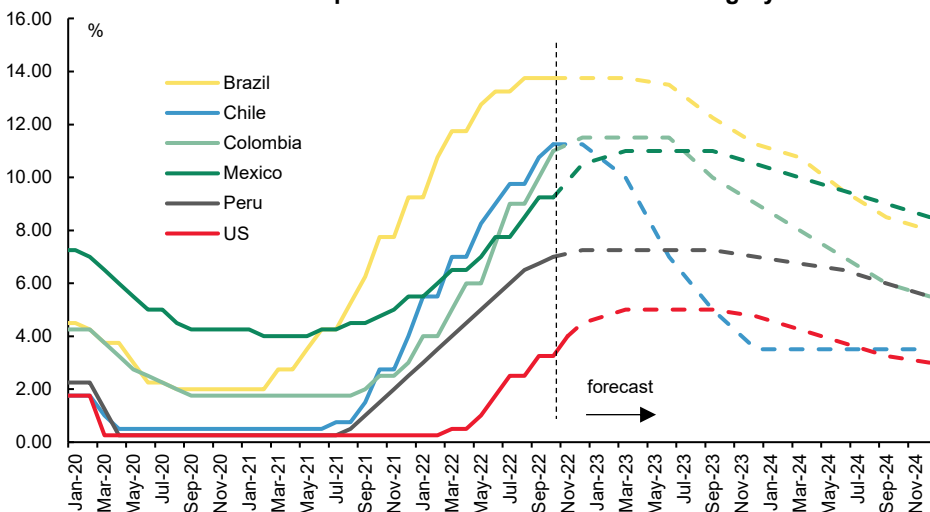
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Chile, Colombia, Mexico, and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period November 5–18 across the Pacific Alliance countries and Brazil.

Chart of the Week

Latam CBs Are Expected to be Near the End of Hiking Cycle



Sources: Scotiabank Economics, Haver Analytics.

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

Economic Overview: Banxico and BCRP to Hike Alongside Key Inflation Data

- **Next week's regional and global calendars bring key inflation releases that will help refine central bank expectations for the remainder of the year and into next.**
- **Mexico's and Peru's central banks will deliver widely-expected rate increases, and Colombia, Chile, Mexico, and Brazil publish October inflation data.**
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Next week's regional and global calendars bring key inflation releases that will help refine central bank expectations for the remainder of the year and into next.

Mexico's and Peru's central banks will also deliver widely-expected rate increases, with the former expected to continue tracking the Fed while the latter may reach the end of its hiking cycle (see Mexico and Peru sections).

The week starts with Colombian markets shut for the All Saints' Day holiday after the release of inflation data on Saturday. BanRep recently hiked 100bps with the minutes of the meeting considering that this move was a strong response to market volatility while reflecting some concern about a potential economic downturn (see [Latam Daily](#)). Our Bogota economists forecast that Colombian CPI rose 12.3% y/y and 0.8% m/m in October (see Colombia section and indicator tables at the back).

Chile, Mexico, and Brazil also publish October inflation data throughout the week, with economists expecting that year-on-year prices growth decelerated last month in each of these countries. We think Chilean inflation will accelerate on a month-on-month basis, though owing to volatile components rather than a wholesale acceleration (see Chile section), while the y/y figure is seen declining 0.3ppts. As for Mexico, the bi-weekly data released last week teed up a modest deceleration in the year-on-year reading while core prices growth accelerated. Similarly, Brazil's H1-Oct IPCA data showed a 0.9ppts slowdown in inflation from its previous print and economists are expecting a decline of comparable magnitude for the totality of the month.

On Thursday, we expect Banxico to raise its overnight rate by 75bps—in line with the Fed—while we see the BCRP lifting its reference rate 25bps in what may be its final hike of the cycle. Despite recent comments from dove Esquivel noting that Banxico could start talking about decoupling from the Fed, we think it is much too early for that and markets on edge over the Fed's hawkishness may retaliate on the MXN too harshly. Peru's BCRP has launched 675bps in tightening during this cycle that have lifted the real policy rate at least 0.50% above what it considers its neutral rate—i.e., it has moved into restrictive territory. But, the bank wants to make sure inflation returns to its target range, with an additional quarter-point increase helping to achieve this.

In Chile, we will also monitor discussions on the pension reform plan presented by the government on November 2. Our economists anticipate a slow discussion in Congress and possible changes to the bill as debate proceeds, with these modifications proving necessary to obtain the support of right-wing parties in both houses of Parliament (see Chile section).

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Domestic markets will focus on their respective inflation releases and central bank decisions, but the global market's attention will be on US CPI data due Thursday. After a hawkish 75bps hike on Wednesday, markets are seeing little change in prices growth in the US—reinforcing the Fed's view that the economy needed another large increase with the terminal rate seen around 5%. See our take on the Fed's policy decision [here](#). **US midterm elections also take place on November 8th, with polls pointing to the Republican Party regaining control of both Houses of Congress.**

Pacific Alliance Country Updates

Chile—Expectations Should Adjust to Lower GDP Growth and Inflation in 2023

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M/M INFLATION TO ACCELERATE IN OCTOBER, MAINLY DUE TO VOLATILE COMPONENTS

We project a 1.1% m/m rate of inflation in October—above survey expectations and forward markets pricing (between 0.8 and 0.9% m/m). In our view, inflation in October (data out on November 8) will show an acceleration from September's 0.9% m/m pace, mainly due to increases in volatile items such as air transportation fares and tourism packages, which would contribute 0.3ppts to inflation m/m. Increases in the prices of gasoline, cigarettes, and food would further inflationary pressures. Nevertheless, we estimate a slowdown in core inflation m/m in October (excluding volatile items) thanks to a lower contribution from goods prices. **In year-on-year terms, inflation should continue to slow, going from 13.7% to 13.4%.**

Looking ahead, we expect November and December's price data to reflect lower inflationary pressures due to volatile items, which would allow monthly inflation prints slightly above the historical average during the final two months of 2022. With these estimates in mind, we expect year-end inflation at 12.5% y/y.

ECONOMIC EXPECTATIONS SURVEY: WE EXPECT REVISIONS TO GDP AND INFLATION FORECASTS

The central bank will release the results to its Economic Expectations Survey on November 10, **where we expect an upward revision in GDP projections for 2022** (today at 2%), after the better-than-expected GDP data for in September that showed growth during the month. However, deteriorating macroeconomic fundamentals (labour markets and household liquidity) should lead to a downward revision to GDP growth forecasts for 2023 (today at -1%), and a decline in 12-month inflation expectations (today at 6.3%). Taking all of the above into account, we see upside risks to our GDP growth forecast for this year against a downside risk for our 2023 projection.

WE ANTICIPATE A SLOW DISCUSSION ON PENSION REFORM IN CONGRESS

On November 2, the government presented its pension reform plan which aims to increase mandatory savings, strengthen government benefits, reduce the role of the private pension managers (AFPs) and preserving the inheritance of personal funds, as expected. Considering how other issues have proceeded through Parliament this year (with the Budget bill and Tax reform), we anticipate a slow discussion in Congress and possible changes to the bill during its debate, with these modifications necessary to obtain the support of the right-wing parties in both houses of Parliament.

Colombia—Between Macro and Volatility

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BanRep's staff released a fresh set of forecasts and scenarios around the convergence of inflation. Our take on this new scenario is that the concerns about an overheated economy—that produces a delay of the inflation convergence towards the 3% target—have increased. BanRep now sees the country's 2022 output gap at 2.3%, 0.8ppts higher than the previous monetary policy report, namely due to higher-than-expected private consumption. Additionally, the recent strong depreciation of the peso and high indexation effects also lead the staff to believe that inflation convergence may take longer. Therefore, although they do not publish the path of policy rate implicit in these models, they do say that on average the path during the next two years is higher than the analyst consensus which currently points to a rate of 10.7% in 2022, 9.2% in 2023 and 6.66% in 2024.

With a relatively hawkish path implied in the October report published yesterday we believe that the staff, which now has a vote in the board, is advising the rest of the board to be more aggressive in the hiking cycle. However, we think the BanRep board is cautious and has more concerns about a potential recession down the road induced by higher inflation, historically high policy rates, and a much weaker international environment. Therefore, **although the message from the staff could see us consider a higher terminal rate, the most recent**

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post-decision press conference shows a still data-dependent board whose view aligns with our expectation of a historically-high 11.50% terminal rate—to be maintained for at least six months.

On the FX side, Colombia is facing strong pressures due, in our opinion, to diverse factors:

- 1) Persistently-elevated uncertainty around the government communications that have brought volatility to markets.** During the first two months of Petro's administration, we have seen strong messages that afterward ended up being softened by the administration which has mined credibility.
- 2) BanRep's hiking cycle is less aggressive than that expected by markets.** This is in addition to a muted response from the bank to recent FX volatility.
- 3) Long and rocky tax reform negotiations** that, again, undermine the government's credibility and pose risks around fiscal stability in Colombia; and
- 4) Very low liquidity in markets and the adverse international environment**, which have not helped EM recently.

In the medium term, the country's institutional framework is working and we expect the tax reform negotiations to demonstrate that. If these kinds of automatic political stabilizers called 'institutions' are enough to convince markets, we would expect more moderate volatility and Colombian assets would pick up steam. However, uncertainty will remain relatively high. Therefore, we think the COP will hover around 4800-5100 for the rest of the year, which will pressure BanRep to continue to hike its policy rate with at least 50bps in the December 16 meeting.

On Saturday, the DANE publishes September CPI data, where upside pressures from food on the aggregate basket are expected to continue, further to the impact of a sharp FX depreciation. Utility prices should moderate as a result of government action to regulate electricity fees. That said our skew vs the market is to the upside. We expect the inflation to peak in December at 12.50% and start to ease in 2023.

We also get sectoral activity data in Colombia next week, ahead of the GDP report out in mid-month. We expect economic activity to remain strong and lead by the services sector's performance. As the economy is still expected to be robust, the data should strengthen our expectation that the hiking cycle hasn't ended yet.

Mexico—Headline Inflation Eases But Core Trends Higher; Banxico to Follow Fed with 75bps

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Mexican CPI data for October out on Wednesday could show a deceleration in the year-on-year headline inflation against a core gauge still on the rise. Commodity prices have exerted a downward pull on inflation but producer prices still suggest some continued pass-through in the price formation process. In the first half of October, headline inflation decelerated more than economists expected (8.53% y/y, vs 8.64% previous, 8.62% consensus), but core inflation exceeded expectations (8.39% y/y, 8.29% previous, 8.32% consensus). With this in mind, we anticipate that the print for the totality of October will show a slowing in headline inflation but maintain the upward trend in core inflation. The non-core sub-index has led to some relief in prices growth; however, it is also the most volatile component, and significant upside risks persist, including a prolonged duration of the war in Ukraine, adverse weather events, as well as disruptions in supply chains owing to continued lockdowns in China. Therefore, we do not rule out an episode of persistent price pressures, despite restrictive moves in monetary policy. Historically, in Mexico, the peak in CPI has come 3–6 months after that of PPI, which suggests inflation will reach its maximum point near year-end, but we do see some risks to this due to price-setter surveys continuing to show inflation inertia. In this regard, forecasts for the end of the year continue to rise, with analysts now expecting inflation to close the year at 8.50% according to the median of the Banxico Survey, also reflecting stickiness in prices as the forecast for 2023 was revised higher to 5.09%. The forecast for core inflation also continues on the rise, seen 8.29% and 5.01% by the end of 2022 and 2023, respectively.

On Thursday, Banxico will release its policy decision and statement, where we expect a 75bps hike to 10.0%. Inflation has slightly decelerated, but Banxico's restrictive stance should not change significantly for two reasons:

- 1) The Fed has guided that its tightening cycle may take longer than previously expected with a higher terminal rate.**

2) **Mexican Q3 GDP growth beat consensus at 4.2% y/y, suggesting that there is some room for additional hikes before growth is impacted more significantly by the lagged monetary policy effect.** Therefore, we expect a policy rate of 10.50% by the end of 2022, although the outlook is more uncertain as to how Banxico will conduct monetary policy through 2023. We anticipate another 50bps hike in early-2023, remaining at 11.0% for most of the year until reductions in the final months of 2023. Thus, the effects of monetary policy are expected to reduce inflation gradually, ending 2023 still far from the target. In our baseline scenario, the policy rate does not rise above these levels but we do not rule out alternative scenarios depending on data in the months ahead. Some members of the board have been signaling that the time is approaching for smaller hikes and that they expect that Banxico will deviate from the Fed soon. However, Deputy Governor Gerardo Esquivel’s term is due to end on December 31 and there is no clear candidate to fill the position, which could leave the board with four members, where Governor Victoria Rodriguez’s vote would be decisive.

Banxico has started to suggest it could decouple from the Fed down the line, but we think the appropriate window for this is after Q1-2023, when rates markets have already discounted this decoupling—without an adverse impact on the stability of Mexican markets. For now, we think it’s prudent for Banxico to remain aligned with the Fed, seeking to preserve local market stability but also continuing to signal concerns over still rising core inflation.

Peru—Next Week’s Policy Meeting May See the Last BCRP Reference Rate Increase

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We expect the BCRP to raise its reference rate next week to 7.25% from 7.00% currently.

Most of the market agrees with us on this. We believe the BCRP will hike with some reluctance, given that the policy rate is already quite high and the economy—particularly domestic demand—is running at a sub-2% y/y pace. At issue is that inflation is simply not coming down with enough conviction. Year-on-year inflation in October was 8.3%. True, inflation is off its peak of 8.8% y/y in July, but it’s also true that three months after the July peak inflation remains firmly above the 8.0% mark. **The fact that inflation remains at this elevated point must be a disappointment for the BCRP which has yet to see its restrictive monetary policy cycle (going on for over a year now) significantly dampen price trends.**

If inflation is not declining with conviction, then, why believe that the BCRP will stop raising rates after November? Well, the BCRP hiking again down the road cannot be entirely ruled out. At the same time, we know that the BCRP keeps a close watch on inflation expectations and what these means for the real reference rate. The last published figure placed the real reference rate at 2.1%, which is above the BCRP-defined neutral rate of 1.5% (chart 1).

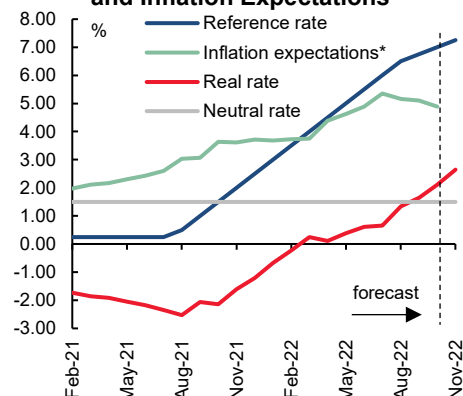
Moreover, an increase in the nominal reference rate to 7.25% next week, together with a likely decline in inflation expectations in the Friday release of the BCRP’s survey, will increase the real reference rate to what we estimate will be between 2.5% and 2.7%. Given this, any further rate increases would take the real rate into a 3%+ territory which begins to be quite uncomfortable.

What’s more, the BCRP is most certainly also keeping an eye on GDP growth. Although the official figure for September GDP will not be released until November 15, i.e., by the BCRP’s November 10 policy meeting, the bank should by then have a pretty good idea of how well, or how poorly, the economy performed in September. We have already received sufficient data to forecast approximately 2.0% GDP growth for the month. Modest positive growth like this is not a scenario that will tilt the BCRP’s balance of concerns decisively one way or the other, however, but may motivate some caution.

What the BCRP has going for it in its intention to control inflation is that most believe that inflation has peaked and will begin to trend down in more earnest fairly soon. Experts are aware that there are no domestic demand components driving prices higher, and that rising prices are due to supply-side factors both global (soft commodities and oil prices) and domestic (the impact of reduced fertilizer use on domestic crops). Thus, consensus has inflation declining twelve-months out. Furthermore, we see incipient signs of moderation in price increases. Enough, in fact, for us to maintain our full-year 2022 forecast at 7.7%, and our end-2023 forecast at 4.0%.

Chart 1

Peru: Nominal and Real Policy Rate and Inflation Expectations



*Expectations of inflation y/y, 12-mo. ahead.
 Sources: Scotiabank Economics, BCRP.

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What has been under control is the FX rate. This control hasn't been direct, but rather indirect with the BCRP providing signals that have helped guide market action. The USDPEN has been bumping against the 4.00 level on multiple occasions of late—seeking to cleanly break through and past it, but unsuccessfully. We don't know to what extent there is a real intention on the part of the BCRP to control the exchange rate, but a stable sol is certainly helpful in seeking to stabilize inflation.

Forecast Updates

	2021		2022			2023				2024							
	Q4	Q1	Q2	Q3e	Q4f	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022f	2023f	2024f
Brazil																	
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	8.7	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
Chile																	
Real GDP (y/y % change)	12.0	7.4	5.4	0.2	-3.5	-1.8	-2.9	-1.2	2.0	3.3	4.2	1.7	2.2	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	8.2	8.5	8.9	8.9	8.3	8.2	8.0	7.3	6.2	9.1	8.0	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
Colombia																	
Real GDP (y/y % change)	10.8	8.6	12.6	5.3	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	10.8	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	11.50	11.50	11.50	10.00	9.00	8.00	7.00	6.00	5.50	3.00	11.50	9.00	5.50
Foreign exchange (USDCOP, eop)	4,080	3,771	4,155	4,609	4,781	4,789	4,796	4,811	4,866	4,881	4,881	4,911	4,941	4,080	4,781	4,866	4,941
Mexico																	
Real GDP (y/y % change)	1.1	1.8	2.0	4.2	1.1	0.7	0.8	0.5	1.8	2.6	1.4	2.1	1.6	4.8	2.3	1.0	1.9
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	3.4	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	11.00	11.00	11.00	10.50	10.00	9.50	9.00	8.50	5.50	10.50	10.50	8.50
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
Peru																	
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	7.7	7.5	7.8	7.4	7.2	7.2	8.0	7.5	7.5	7.5	10.9	7.9	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
Canada																	
Real GDP (y/y % change)	3.2	2.9	4.6	3.3	2.1	1.3	0.4	0.5	0.3	0.7	1.3	1.7	2.1	4.5	3.2	0.6	1.4
CPI (y/y % eop)	4.7	5.8	7.5	7.2	6.8	5.2	4.1	3.7	2.7	2.2	1.6	1.5	1.5	4.7	6.8	2.7	1.5
Unemployment rate (% avg)	6.3	5.8	5.1	5.2	5.4	5.7	5.9	6.1	6.3	6.3	6.4	6.3	6.3	7.4	5.4	6.0	6.3
Central bank policy rate (% eop)	0.25	0.50	1.50	3.25	4.25	4.25	4.25	4.25	4.00	3.50	3.00	3.00	3.00	0.25	4.25	4.00	3.00
Foreign exchange (USDCAD, eop)	1.26	1.25	1.29	1.38	1.35	1.35	1.30	1.30	1.30	1.27	1.27	1.25	1.25	1.26	1.35	1.30	1.25
United States																	
Real GDP (y/y % change)	5.7	3.7	1.8	1.8	0.0	0.4	0.5	0.1	0.4	0.9	1.4	1.9	2.2	5.9	1.7	0.4	1.6
CPI (y/y % eop)	6.7	8.0	8.6	8.3	7.8	6.7	5.3	4.4	3.5	2.7	2.1	1.9	1.9	6.7	7.8	3.5	1.9
Unemployment rate (% avg)	4.2	3.8	3.6	3.6	3.7	3.9	4.2	4.4	4.7	4.9	5.0	5.1	5.1	5.4	3.7	4.3	5.0
Central bank policy rate (% eop)	0.25	0.50	1.75	3.25	4.50	5.00	5.00	5.00	4.75	4.25	3.75	3.25	3.00	0.25	4.50	4.75	3.00
Foreign exchange (EURUSD, eop)	1.14	1.11	1.05	0.98	0.95	1.00	1.02	1.05	1.05	1.08	1.08	1.10	1.10	1.14	0.95	1.05	1.10

Source: Scotiabank Economics.

Red indicates changes in estimates and forecasts since previous *Latam Weekly* on October 21, 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
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-0.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Chile																	
Real GDP (y/y % change)	-	-	-	0.5	-0.5	-0.8	-0.5	-0.1	1.4	1.3	0.7	-0.4	-1.2	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	0.2	-	-	-	-	-	-	-	-	-	0.1	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCLP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Colombia																	
Real GDP (y/y % change)	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	1.00	1.00	1.00	-	-	-	-	-	-	-	1.00	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	220.00	209.00	278.00	293.00	313.00	309.00	309.00	314.00	319.00	-	220.00	313.00	319.00
Mexico																	
Real GDP (y/y % change)	-	-	-	1.6	-0.5	-1.7	0.9	-0.6	-0.1	-0.1	-0.5	0.3	-	-	0.3	-0.3	-0.1
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-0.3	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	-	-	0.50	0.50
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Peru																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	0.5	-	-	-	-	-	-	-	-	-	0.3	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (EURUSD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: Scotiabank Economics.

Changes in estimates and forecasts since previous *Latam Weekly* on October 21, 2022.

Forecast Updates: Central Bank Policy Rates and Outlook

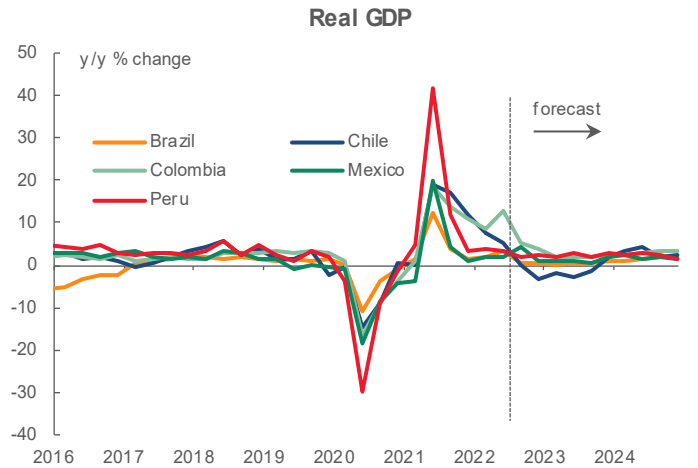
Latam Central Banks: Policy Rates and Outlook

	Next Scheduled Meeting				Market Pricing		BNS Forecast		BNS guidance for next monetary policy meeting
	Current	Date	Market	BNS	12 mos	24 mos	End-2022	End-2023	
Brazil, BCB, Selic	13.75%	Dec-07	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. We maintain our view of an unchanged Selic rate until next year's easing cycle.
Chile, BCCCh, TPM	11.25%	Dec-06	n.a.	11.25%	n.a.	n.a.	11.25%	3.50%	We expect rate cuts beginning in Q1-2023.
Colombia, BanRep, TII	11.00%	Dec-16	n.a.	11.50%	n.a.	n.a.	11.50%	9.00%	In the previous meeting, BanRep remained data dependent. The Board will have more time before the next decision. As inflation is expected to continue showing an upward trend and economic activity to be resilient, we expect the hiking cycle to continue, but probably at a slower pace of 50bps, to end the year at 11.50%. FX intervention is a far possibility.
Mexico, Banxico, TO	9.25%	Nov-10	n.a.	10.00%	n.a.	n.a.	10.50%	10.50%	Analysts have no doubt that Banxico will hike for the fourth consecutive time by 75bps, to 10.00%, following the Fed's pace. For December, we consider Banxico will align again with Fed's expected stance, ending the year at 10.50%, in line with consensus. However, views for 2023 are diverse. We now expect Banxico will raise the policy rate another 50bps starting in 2023, and stand at 11.00% for most of the year, with risks to the upside, yet with cuts in the last quarter, ending the year at 10.50%
Peru, BCRP, TIR	7.00%	Nov-10	n.a.	7.25%	n.a.	n.a.	7.25%	7.00%	We expect a final hike of 25bps to 7.25% as part of the adjustments to the monetary policy stance, after annual inflation slowed in October, but at a marginal pace.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

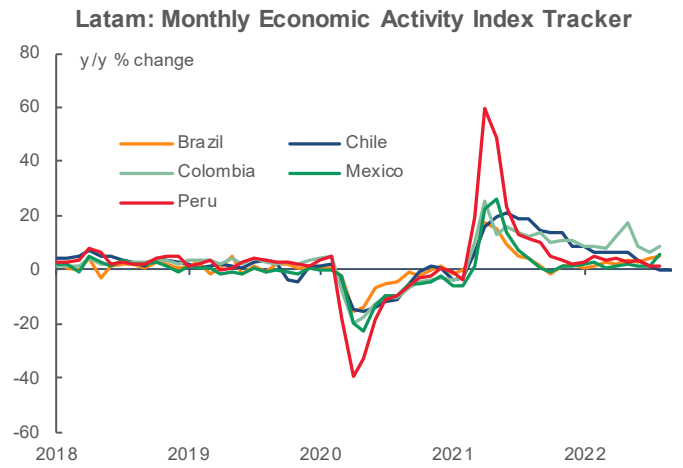
Key Economic Charts

Chart 1



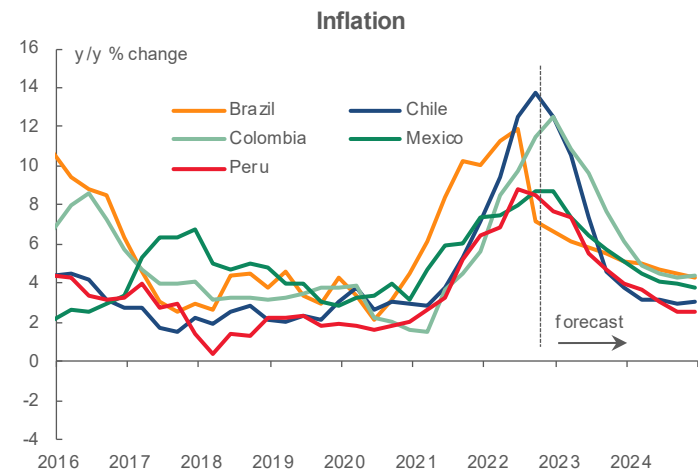
Sources: Scotiabank Economics, Haver Analytics.

Chart 2



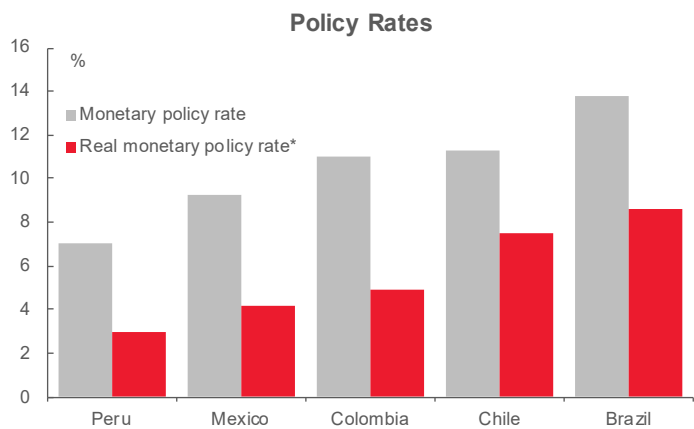
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



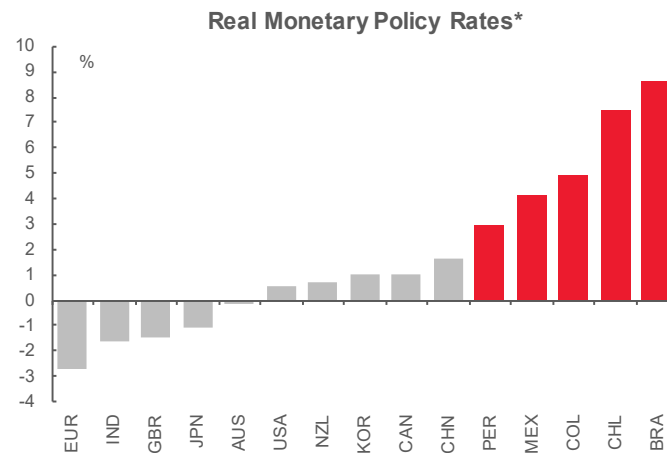
Sources: Scotiabank Economics, Haver Analytics.

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

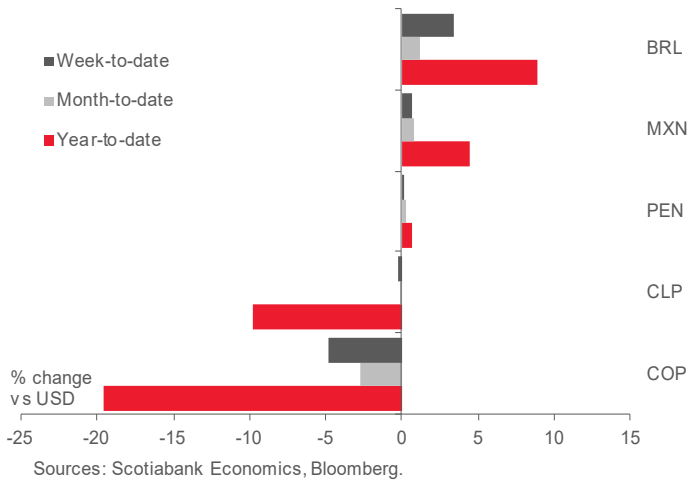


Chart 2

Latam Equities Performance

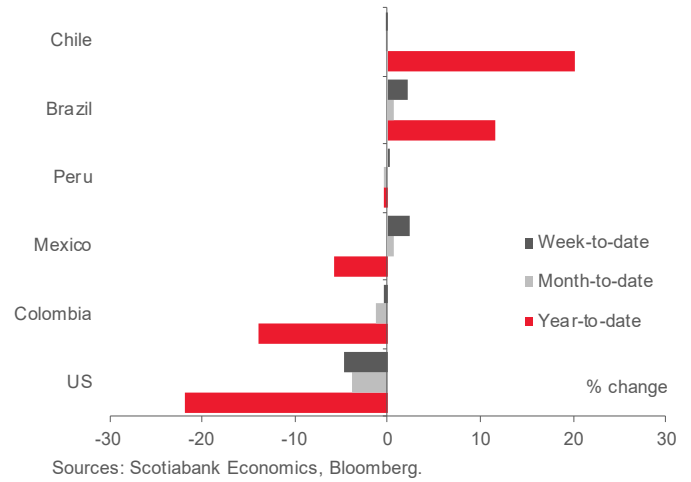


Chart 3

USD vs Latam Currencies

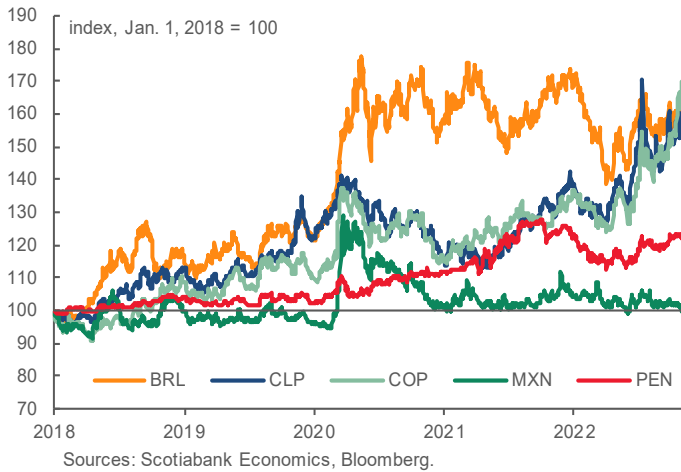
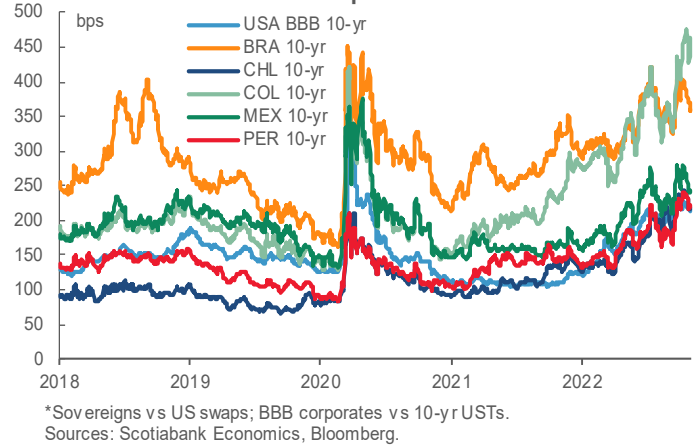


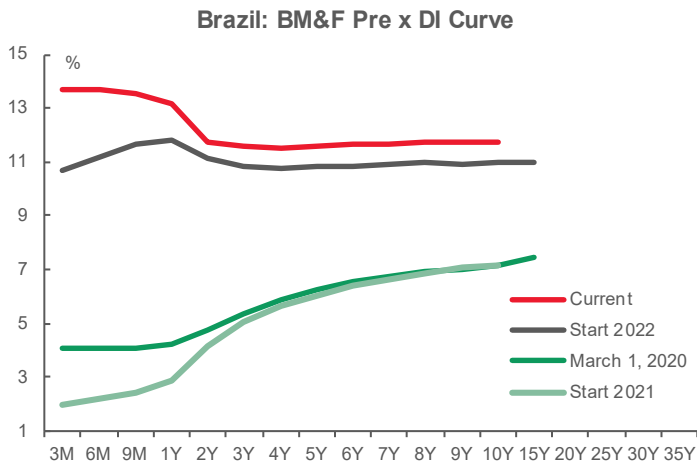
Chart 4

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



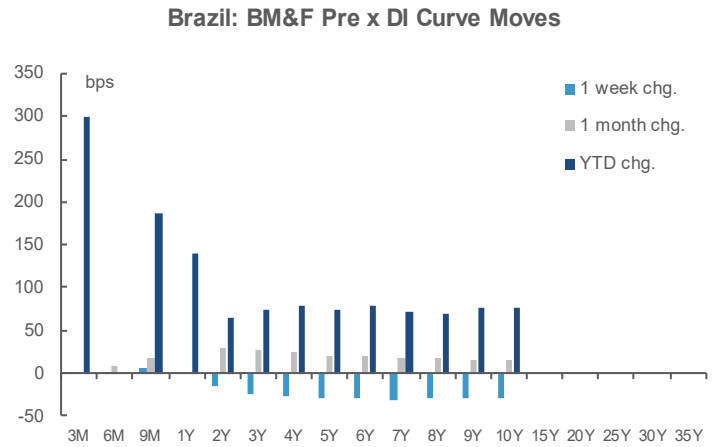
Yield Curves

Chart 1



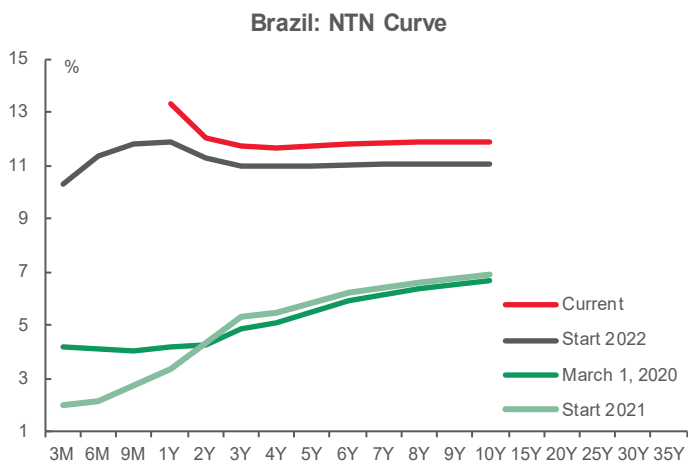
Sources: Scotiabank Economics, Bloomberg.

Chart 2



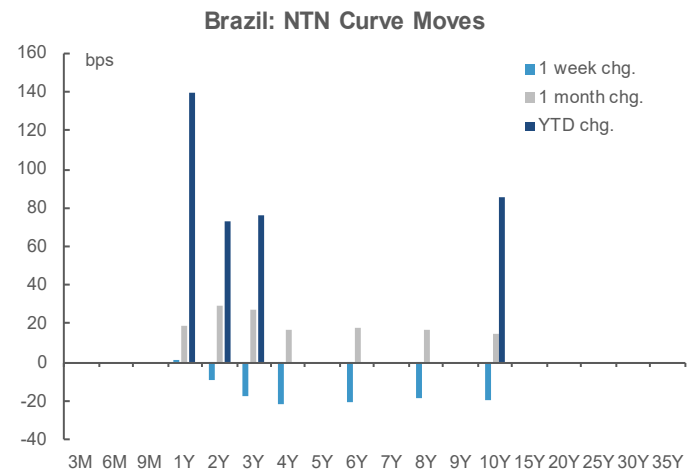
Sources: Scotiabank Economics, Bloomberg.

Chart 3



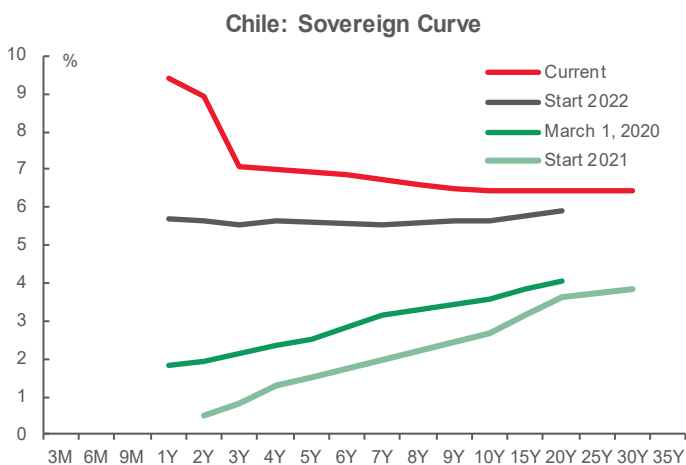
Sources: Scotiabank Economics, Bloomberg.

Chart 4



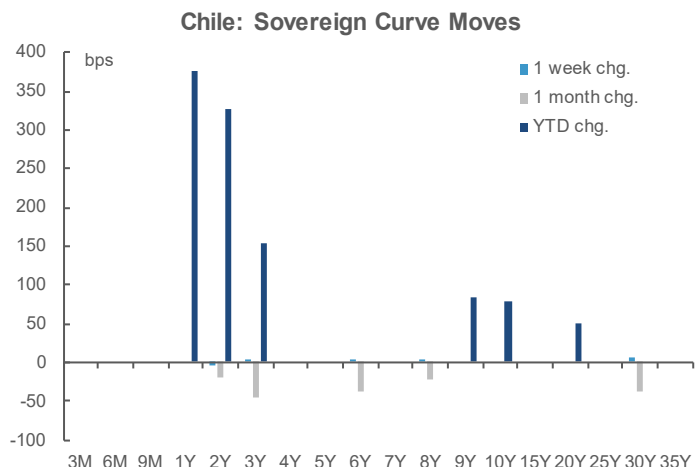
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

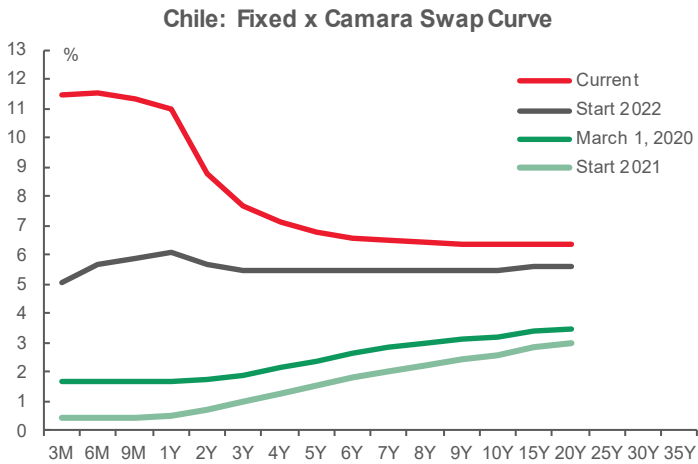
Chart 6



Sources: Scotiabank Economics, Bloomberg.

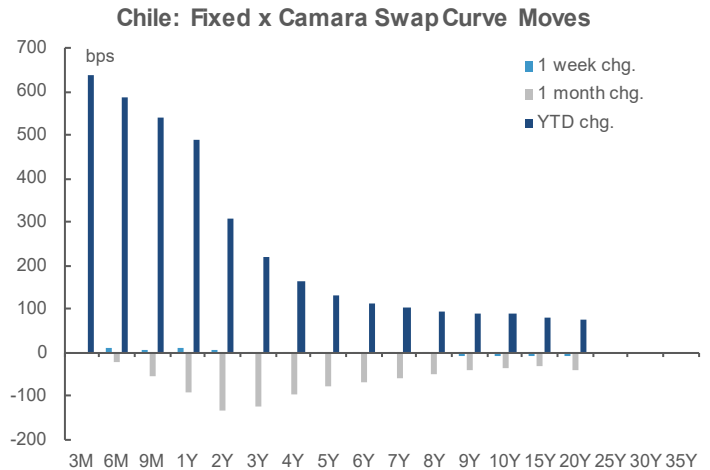
Yield Curves

Chart 7



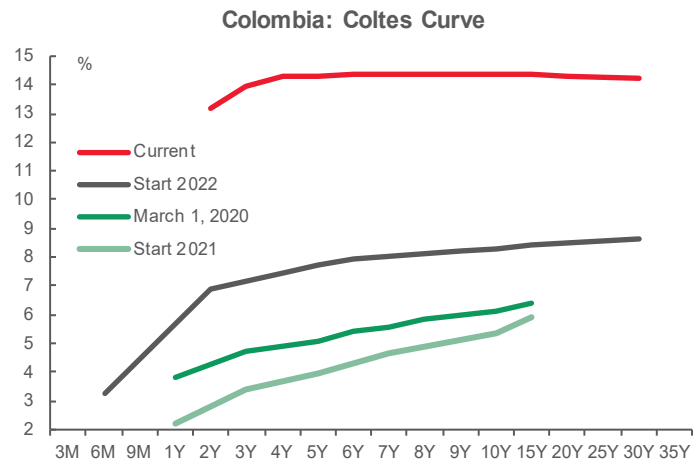
Sources: Scotiabank Economics, Bloomberg.

Chart 8



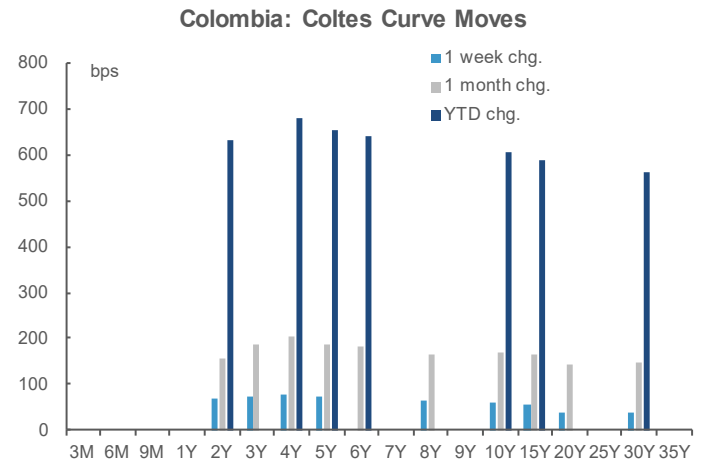
Sources: Scotiabank Economics, Bloomberg.

Chart 9



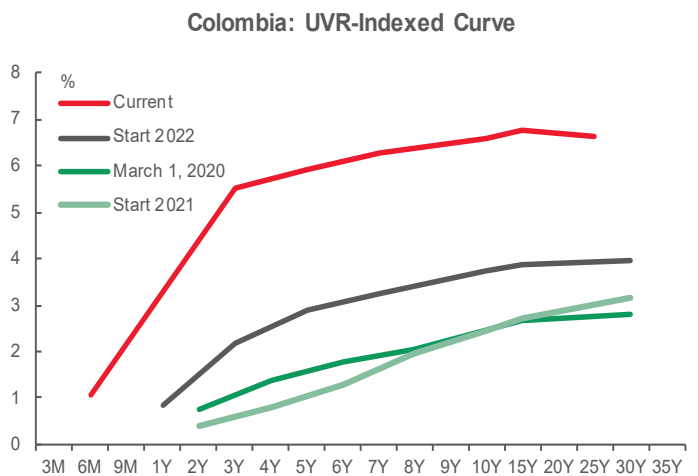
Sources: Scotiabank Economics, Bloomberg.

Chart 10



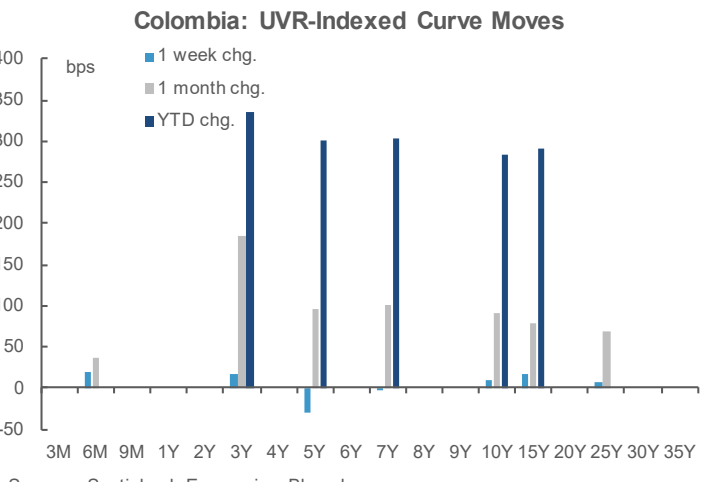
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

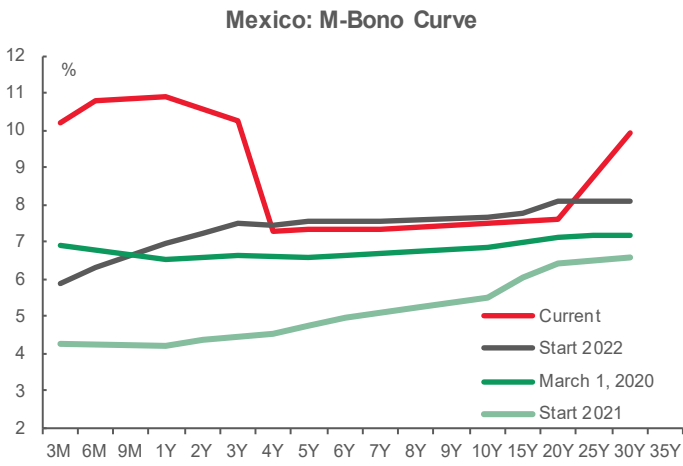
Chart 12



Sources: Scotiabank Economics, Bloomberg.

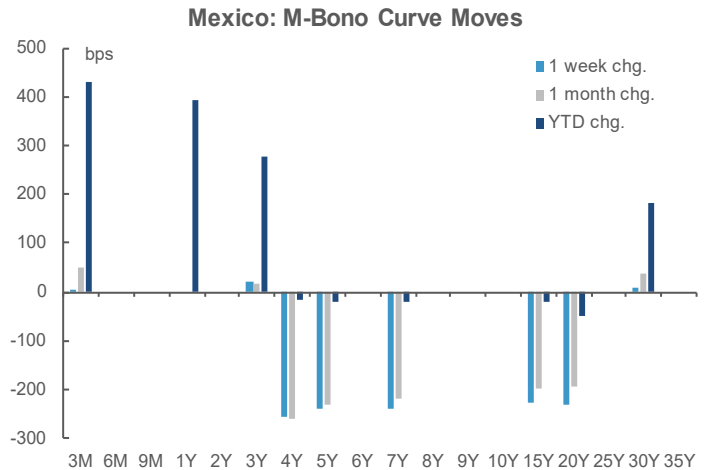
Yield Curves

Chart 13



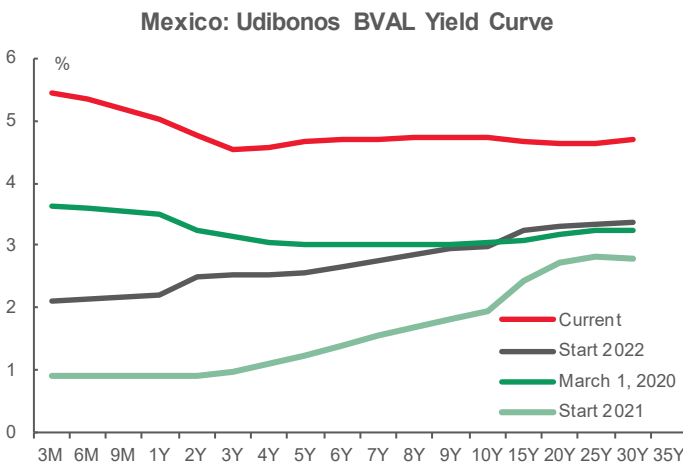
Sources: Scotiabank Economics, Bloomberg.

Chart 14



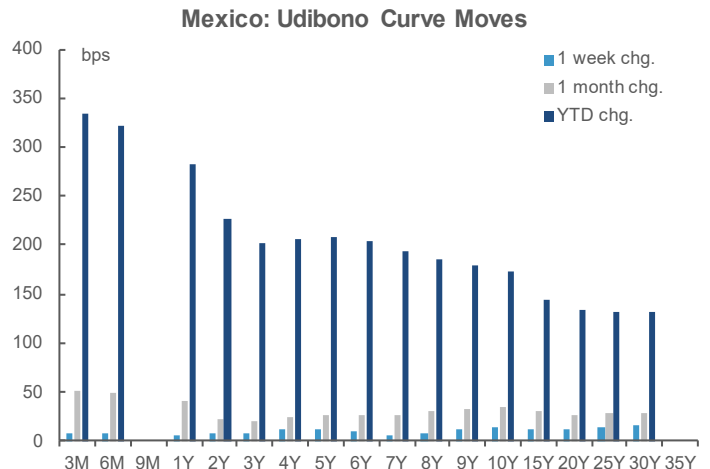
Sources: Scotiabank Economics, Bloomberg.

Chart 15



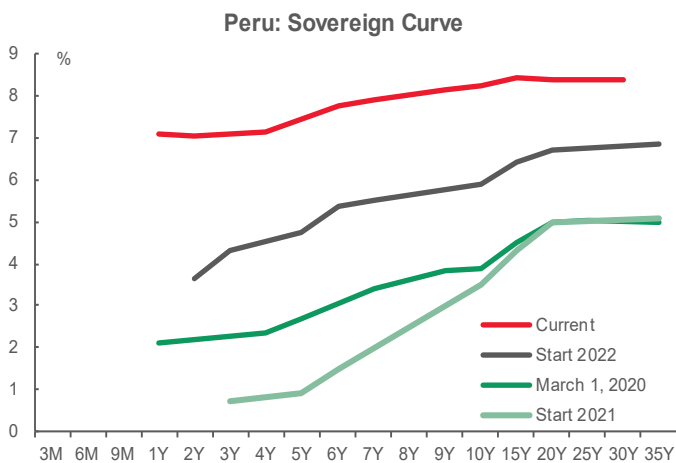
Sources: Scotiabank Economics, Bloomberg.

Chart 16



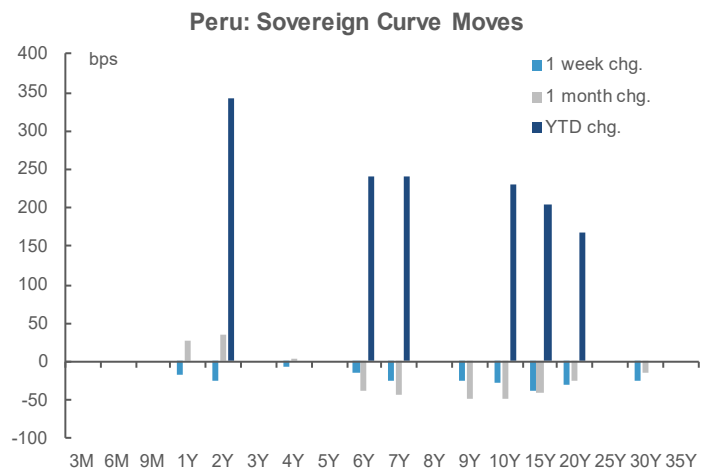
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for November 5–18

BRAZIL

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Nov-07	13:00 Trade Balance Weekly (USD mn)	06-Nov	--	--	1170.0
Nov-08	6:00 FGV CPI IPC-S (%)	07-Nov	--	--	0.7
Nov-08	6:00 FGV Inflation IGP-DI (y/y)	Oct	--	--	7.9
Nov-08	6:00 FGV Inflation IGP-DI (m/m)	Oct	--	--	-1.2
Nov 7-8	Vehicle Sales Anfavea	Oct	--	--	193978.0
Nov 7-8	Vehicle Production Anfavea	Oct	--	--	207762.0
Nov 7-8	Vehicle Exports Anfavea	Oct	--	--	28544.0
Nov-09	7:00 Retail Sales (m/m)	Sep	--	--	-0.1
Nov-09	7:00 Retail Sales (y/y)	Sep	--	--	1.6
Nov-09	7:00 Retail Sales Broad (m/m)	Sep	--	--	-0.6
Nov-09	7:00 Retail Sales Broad (y/y)	Sep	--	--	-0.7
Nov-10	3:00 FIPE CPI - Weekly (%)	07-Nov	--	--	0.4
Nov-10	7:00 IBGE Inflation IPCA (m/m)	Oct	--	--	-0.3
Nov-10	7:00 IBGE Inflation IPCA (y/y)	Oct	--	--	7.2
Nov-11	7:00 IBGE Services Volume (y/y) NSA	Sep	--	--	8.0
Nov-11	7:00 IBGE Services Volume (m/m) SA	Sep	--	--	0.7
Nov-14	7:00 Economic Activity (m/m)	Sep	--	--	-1.1
Nov-14	7:00 Economic Activity (y/y)	Sep	--	--	4.9
Nov-14	13:00 Trade Balance Weekly (USD mn)	13-Nov	--	--	1170.0
Nov-16	6:00 FGV CPI IPC-S (%)	15-Nov	--	--	0.7
Nov-17	3:00 FIPE CPI - Weekly (%)	15-Nov	--	--	0.4
Nov-17	6:00 FGV Inflation IGP-10 (m/m)	Nov	--	--	-1.0

CHILE

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Nov-07	6:30 International Reserves (USD mn)	Oct	--	--	37782.0
Nov-07	6:30 Trade Balance (USD mn)	Oct	--	--	-513.4
Nov-07	6:30 Exports Total (USD mn)	Oct	--	--	7551.3
Nov-07	6:30 Imports Total (USD mn)	Oct	--	--	8064.6
Nov-07	6:30 Copper Exports (USD mn)	Oct	--	--	3335.8
Nov-07	7:00 Nominal Wage (y/y)	Sep	--	--	11.1
Nov-08	6:00 CPI (m/m)	Oct	1.1	0.9	0.9 We project a CPI increase of 1.1% m/m (13.4% y/y), mainly due to
Nov-08	6:00 CPI (y/y)	Oct	13.4	13.2	13.7 increases in transportation and foods (volatile inflation).
Nov 2-8	IMCE Business Confidence	Oct	--	--	39.0
Nov-10	Central Bank Economist Survey		--	--	--
Nov 8-11	Vehicle Sales Total	Oct	--	--	28642.0
Nov-18	6:30 Current Account Balance (USD mn)	3Q	--	--	-6564.0
Nov-18	6:30 GDP (y/y)	3Q	0.2	--	5.4
Nov-18	6:30 GDP (q/q)	3Q	--	--	0.0

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for November 5–18

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-05	13:00 CPI (m/m)	Oct	0.76	0.64	0.93	In September, food's upside pressures on prices are expected to
Nov-05	13:00 CPI (y/y)	Oct	12.27	12.14	11.44	continue, in addition to the effects of a strong FX depreciation.
Nov-05	13:00 CPI Core (m/m)	Oct	0.36	--	0.77	Utility prices could moderate as a result of government action to
Nov-05	13:00 CPI Core (y/y)	Oct	8.5	--	8.3	regulate electricity fees.
Nov-08	Consumer Confidence Index	Oct	--	--	-11.5	
Nov-11	10:00 Manufacturing Production (y/y)	Sep	--	--	9.1	
Nov-11	10:00 Retail Sales (y/y)	Sep	5.0	--	8.1	In September, we expect retail sales to moderate, as price
Nov-11	10:00 Industrial Production (y/y)	Sep	8.0	--	7.1	pressures remain, along with the rise in consumer credit due to
						upward adjustments in interest rates. As for industrial production,
						we expect it to show some slowdown, especially in presence-
						related industries, and in construction, we expect momentum
						could continue.
Nov-15	10:00 Trade Balance (USD mn)	Sep	--	--	-2168.2	
Nov-15	10:00 Imports CIF Total (USD mn)	Sep	--	--	7297.6	
Nov-15	11:00 GDP (q/q)	3Q	--	--	1.5	For the third quarter, we expect the economy as a whole to show
Nov-15	11:00 GDP NSA (y/y)	3Q	5.3	--	12.6	less strong growth compared to the first half of the year, especially
						due to a slowdown in private consumption and fewer base effects
						in items on the supply side, especially in the services sector.
Nov-15	11:00 Economic Activity NSA (y/y)	Sep	6.5	--	8.6	For September, the economy is expected to show somewhat
						weaker growth than in the previous month, as primary activities are
						likely to continue to lag. In the tertiary sector, the hotel sector is
						expected to be less strong, with weaker commerce, given
						inflationary pressures. As for the secondary sector, a mixed
						performance is expected with moderation in industry and
						somewhat more momentum in construction.
Nov-15	Central Bank Economist Survey		--	--	--	

MEXICO

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Nov-07	7:00 Gross Fixed Investment (%)	Aug	--	--	2.1	
Nov-07	7:00 Consumer Confidence	Oct	--	--	41.0	
Nov-07	7:00 Vehicle Exports	Oct	--	--	259792.0	
Nov-07	7:00 Vehicle Production	Oct	--	--	273329.0	
Nov-07	Banamex Survey of Economists		--	--	--	
Nov-08	10:00 International Reserves Weekly (USD mn)	04-Nov	--	--	196890.0	
Nov-09	7:00 CPI (m/m)	Oct	0.7	--	0.6	
Nov-09	7:00 CPI Core (m/m)	Oct	--	--	0.7	
Nov-09	7:00 CPI (y/y)	Oct	8.6	--	8.7	
Nov-09	7:00 CPI Core (y/y)	Oct	--	--	8.3	
Nov-09	7:00 Bi-Weekly CPI (%)	31-Oct	--	--	0.4	
Nov-09	7:00 Bi-Weekly Core CPI (%)	31-Oct	--	--	0.4	
Nov-09	7:00 Bi-Weekly CPI (y/y)	31-Oct	--	--	8.5	
Nov-09	7:00 Bi-Weekly Core CPI (y/y)	31-Oct	--	--	8.4	
Nov-10	14:00 Overnight Rate (%)	10-Nov	10.00	--	9.25	
Nov-10	ANTAD Same-Store Sales (y/y)	Oct	--	--	8.2	
Nov-10	Nominal Wages (m/m)	Oct	--	--	8.2	
Nov-11	7:00 Manuf. Production NSA (y/y)	Sep	--	--	8.1	
Nov-11	7:00 Industrial Production NSA (y/y)	Sep	--	--	3.9	
Nov-11	7:00 Industrial Production SA (m/m)	Sep	--	--	0.0	
Nov-12	13:00 Formal Job Creation Total	Oct	--	--	172.5	
Nov-15	10:00 International Reserves Weekly (USD mn)	11-Nov	--	--	196890.0	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for November 5–18

PERU

<u>Date</u>	<u>Time</u> <u>Event</u>	<u>Period</u>	<u>BNS Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Nov-10	18:00 Reference Rate (%)	10-Nov	7.25	--	7.00 We expect an additional 25bps hike as part of the precautionary adjustments to the monetary policy stance.
Nov-15	Economic Activity (y/y)	Sep	2.2	--	1.7 Economic activity is largely driven by sectors linked to domestic demand, such as commerce and services, mainly hotels and restaurants.
Nov-15	Lima Unemployment Rate (%)	Oct	7.6	--	7.7 Gradual recovery in the labour market, mainly commerce and services.

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

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