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Table of Contents

Economic Overview	2–3
Pacific Alliance Country Updates	4–6
Forecast Updates	7–9
Key Economic Charts	10
Key Market Charts	11
Yield Curves	12–14
Market Events & Indicators	15–16

Latam Weekly: Regional Inflation, BCRP Decision, State Elections in Mexico

ECONOMIC OVERVIEW

- Next week presents a four-of-a-kind of CPI releases as well as the first of the regional policy announcements of the cycle, the BCRP's.
- Inflation is seen lower in each of Brazil, Chile, Colombia, and Mexico. Regarding the first two, the discussion has centred around pinpointing exactly when in the next few months rate cuts could come. For the latter two, it's still a bit hazy when their policy rate pauses may end.
- The BCRP will leave its reference rate steady for the sixth consecutive meeting at its announcement next Thursday—while sticking to an optimistic forecast that sees inflation fall to 3% at year-end.
- Gubernatorial elections on Sunday in the State of Mexico and in Coahuila will also be in focus as the results of these contests may be extrapolated to the 2024 presidential election.

PACIFIC ALLIANCE COUNTRY UPDATES

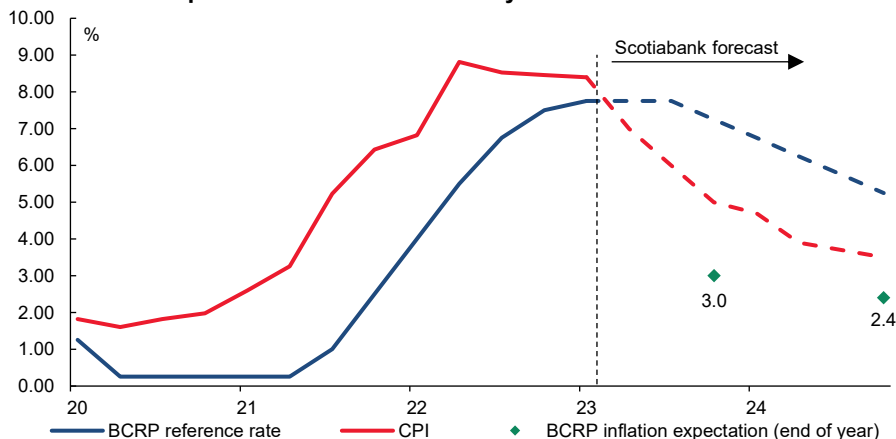
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Chile, Colombia, Mexico and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period June 3–16 across the Pacific Alliance countries and Brazil.

Chart of the Week

Optimistic Inflation Outlook by Peru's Central Bank



Sources: Scotiabank Economics, BCRP.

Chart of the Week: Prepared by: Anthony Bambokian, Economic Analyst.

Economic Overview: Regional Inflation, BCRP Decision, State Elections in Mexico

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- **Inflation is seen lower in each of Brazil, Chile, Colombia, and Mexico. Regarding the first two, the discussion has centred around pinpointing exactly when in the next few months rate cuts could come. For the latter two, it's still a bit hazy when their policy rate pauses may end.**
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We're bracing for the next round of central bank decisions in Latam, with the next few days presenting a four-of-a-kind of May inflation data as well as the first of the regional policy announcements of the cycle, the BCRP's.

Before next week's important regional data run, Sunday's gubernatorial elections in the State of Mexico and in Coahuila will be in focus as markets extrapolate the results of these contests to the 2024 presidential election. A victory in Edomex by President AMLO's ally Delfina Gomez (as part of the Morena/PT/PVEM alliance), prying away from the PRI one of its traditional strongholds (see more in last Friday's [Latam Weekly](#)), is an important victory for the President, and the PRI/PAN/PRD alliance taking (or rather keeping) Coahuila would be but a small consolation prize when losing a key asset.

The week starts out quietly with only limited data or events of note. We have the usual weekly BCB and bi-weekly Citibanamex surveys of economists on Monday and Tuesday, respectively, accompanied by some fixed investment data out of Mexico and vehicle production figures for Mexico and Brazil; composite/services PMIs, out on Monday for Brazil, are worth but a quick look as the data tend to have little impact on markets.

Things pick up a bit on Wednesday thanks to Brazil's May IPCA inflation numbers that are seen edging closer towards 4% (median at 4.06%) in line with the mid-month print that showed a marginal deceleration from 4.16% to 4.07%. Chile's INE will also release wages data for April, where another double-digit y/y increase in hourly pay is likely—marking almost a full year of 10% (or just below) increases since May 2022; the stats agency also publishes May international trade data for May that morning.

On Wednesday evening, after-hours, May Colombian CPI is projected to continue its slow break lower. Our Bogota economists are eyeing a 12.6% y/y pace of headline prices growth, down from 12.82% in April, with some downside risks owing to food prices; core inflation is forecast little changed in the mid-11s (very high). Inflation has peaked, so BanRep will be happy that readings come in lower each time and will thus hold its policy rate unchanged this month, but they're certainly not ready to clearly tee up lower rates later in the year given double-digit prints—though FinMin and BanRep

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board member Bonilla has shown his preference for this. Political processes and debates are in focus for our Bogota economists in today's weekly.

Thursday's Mexican and Chilean inflation data will combine with the BCRP's decision for the busiest day of the week in Latam. The teams in Mexico City and Santiago preview the releases in today's report, anticipating slowdowns to 6.0% from 6.25% and 8.8% from 9.9%, respectively. Banxico seems firm in its stance of a long hold and the H1-May core reading of 7.45% (falling from 7.75%) supports this position. The bank's meeting minutes and quarterly inflation report also add to a sense that the conversation is not about whether to hike again, but when the first rate cut could come (though the minutes were more hawkish than expected).

In Chile, stubbornly-high inflation is keeping Q2 rate cut bets at bay (by traders and economists), but the team believes that the BCCh will be ready to discuss at its June meeting the possibility of easing policy in July. In today's report, our economists also provide an update on the constitutional re-write process.

Peru's central bank received May inflation figures on Thursday to help it in refining its guidance at the upcoming rate announcement on the 8th. Year-on-year inflation pulled marginally further away from 8%, going from 7.97% to 7.89% last month. But it has not yet pulled sufficiently away from the figure. The team believes that inflation should begin to show clearer signs of decelerating starting with the June/July releases owing, in part, to base effects and the fading impact of the avian flu on poultry prices. That's yet to be seen by the BCRP, and it's practically a given that the board will leave the reference rate unchanged at 7.75% for the sixth consecutive meeting.

Alongside key events in Latam, markets will follow US macro data (ISM services above all) ahead of the mid-month Fed announcement, policy decisions in Canada and Australia (which may see rate increases), Canadian employment data, and Chinese international trade and consumer/producer prices figures. This weekend, OPEC+ delegates also meet to discuss current crude oil supply settings, though no more cuts are expected.

Pacific Alliance Country Updates

Chile—We Expect Annual Inflation to Continue to Decelerate in May

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THE CONSTITUTIONAL COUNCIL WILL BEGIN WORK ON JUNE 7 ON THE BASIS OF THE EXPERTS' MODERATED PROPOSAL

On Tuesday, May 31, the Commission of Experts submitted the draft of the new Constitution, which will be delivered to the Constitutional Council in the next few days. Recall that the experts were elected by Congress and the draft was prepared under 12 limiting guidelines as part of a comprehensive political agreement. Broadly speaking, the draft continues the path of political moderation that has been observed after the September plebiscite.

Given the high participation of right-wing parties in the Constitutional Council—more than three-fifths—the parties of the governing alliance have the great challenge of generating and achieving a dialogue with the right-wing parties in order to reach a new Constitution that can be approved in the next electoral process. On the contrary, if the necessary dialogue to discuss the leftist proposals is not achieved, the probability of having a new rejection of the Constitution in December could increase.

The elected Council will begin its work on June 7, considering the draft issued by the Commission of Experts. Finally, the exit referendum will take place on December 17.

WE PROJECT INFLATION IN MAY AT 0.2% M/M (8.8% Y/Y). REFERENCE RATE CUTS WOULD START IN Q3-23

On Thursday, June 8, the INE will release May CPI data, for which we project a 0.2% m/m increase (8.8% y/y), below surveys (Economic Expectations Survey: 0.4%; Financial Traders Survey: 0.3%) and the median of forecasts submitted to Bloomberg (0.3%). At the underlying level (excluding volatiles), we forecast an increase of 0.2% m/m (9.5% y/y), explained by services (0.3% m/m); this would mark the first single-digits ex volatiles print since June 2022. On the goods side, we see no change in prices from the previous month, and they will continue to decline rapidly on a year-on-year basis.

As for the BCCCh, we expect the central bank to hold the benchmark rate at its next meeting on June 19, where it will probably start discussing the possibility of rate cuts for the July meeting. In this regard, we reiterate our projection for cuts in the benchmark rate starting in Q3-23, towards 7.50% in December 2023.

Colombia—Quiet Days in Colombia and New Economic Releases Calendar

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The past few weeks have been very quiet in Colombia. On the political front, the government continues its push to discuss social reforms in Congress. However, President Petro knows it is impossible to have any definitive approval before the end of the first legislative period on June 20.

The health reform passed the first debate in the seventh commission of the House. Having said that, there is still a long way to go before final approval. There are still deep concerns about the role of the public versus the private sector in administering all the funds to cover health expenses. The second debate is expected to start in coming weeks. Meanwhile, the labour reform faced headwinds in its discussion as its first session was cancelled after failing to form a quorum.

The Government also presented the first draft of the Pension Reform to kick off debate in the seventh commission of the Senate; the bill keeps the main ideas revealed in preliminary documents. The proposal aims to reduce competition between the public (defined benefit / pay as you go), and the private (defined contribution) systems, creating a pillar structure where employees must contribute to a public fund if they earn less than three minimum wages and make additional contributions to the private system for earnings above three minimum wages. The main question is about how the public savings fund will work, which is still an open topic of discussion during congressional debates and then in the proper regulation of the law. Another critical variable under debate is the threshold that divides contributions to the public and private systems; the Government's proposal is for three minimum wages, but Senators in charge of the debate are asking for

a lower number (between 1 and 2 minimum wages). The pension reform is the reform with the highest probability of passing. However, its passage is expected to be in the second legislature but before the regional elections on October 29.

On the economic front, economic activity indicators continue to show an economic slowdown. Employment gains were more moderate in April, while credit continues decelerating. On the external front, imports have slowed down significantly, especially on investment-related items such as capital goods and raw materials, resulting in a significant narrowing of the trade deficit. This dynamic is relevant for the analysis of the currency; the COP has appreciated more than 7% in the YTD and, during May, touched its strongest levels since September 2022. The cash position in dollars of banks and a weaker demand from the real sector (lower imports) are potential sources of why, despite international volatility, the COP hasn't deteriorated significantly. According to our macro model, a 4,300 pesos level in the USDCOP would imply that the risk premium due to political noise will vanish. However, we must wait for more information before changing our structural forecast.

Finally, next week, DANE will shift its new schedule for CPI releases. Data will be out on the fifth business day of the week instead of the fifth calendar day. BanRep also decided to change the schedule for the monetary policy meetings; now, meetings will be on the last business day of each month, except in December. BanRep left unchanged the months when they will discuss monetary policy rates: January, March, April, June, July, September, October, and December. Minutes will now be published the third business day after the monetary policy meeting. The Monetary Policy Report Release will be on the second business day after the monetary policy meetings of January, April, July, and October. And, the press conference for the Monetary Policy Report will now be on the fourth business day after the monetary policy meetings of January, April, July, and October.

Calendar and detailed info: <https://www.banrep.gov.co/es/noticias/jdbrc-informa-cambios-fechas-reuniones-mensuales>

See table 1 for the next relevant dates for the remainder of 2023:

Month	Inflation (6pm local time)	Central Bank Meeting Communique (1pm approx-local time)	Minutes Publication	Monetary Policy Report
June 2023	Wed. June 7	Fri. June 30		
July 2023	Mon. July 10	Mon. July 31	July 6	
August 2023	Tue. August 8		August 3	August 2
September 2023	Thu. September 7	Fri. September 29		
October 2023	Fri. October 6	Tue. October 31	October 3	
November 2023	Tue. November 8		November 3	November 2
December 2023	Thu. December 7	Fri. December 15	December 19	

Source: Scotiabank Economics.

Mexico—More Twists in the Banamex and Grupo Mexico Situations; Banxico Speakers and Inflation Up Ahead

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As days go on, more details are emerging on the potential resolution of the Grupo Mexico and Citibanamex transactions in Mexico. On Thursday, Bloomberg reported (and President Lopez Obrador stated) that Mexico's government and Grupo Mexico reached an agreement whereby the government would take control of the seized railway on the Tehuantepec Isthmus and, in exchange, Grupo Mexico would see its concession on the Isthmus-Veracruz rail segment extended 8 years. If confirmed, this could mark the end of one of the recent sources of tension in Mexico's private sector.

The Tehuantepec Isthmus project, if executed correctly, could present interesting opportunities. The gap is seen as a potentially attractive center for wind farms, which could provide power for setting up a manufacturing hub in the region. It would be strategically located near ports in the Pacific and Atlantic Oceans. The execution challenges are: 1) setting up high speed transportation infrastructure to move merchandise, 2) improving shipping ports on both coasts, 3) developing the human capital of the labour force in the area to meet the demands of modern industry (it's near a large existing Volkswagen plant), 4) tackling insecurity issues in the surrounding area.

In separate news, Reuters reported in an interview with Undersecretary of Finance Gabriel Yorio that a new potential solution for the Citibank sale of Banamex was being considered. According to the interview, the government is considering potential options for the government to buy all of, or a stake in, Banamex, which could potentially be merged with other state-owned banks, such as the Banco del Bienestar. Were the government to purchase Banamex, it would give the public sector a large player in the domestic financial sector. It will

be interesting to see how that potential transaction could interact with the [Official Gazette decree from February 15, 2023](#), which demands that all public sector entity accounts with private banks get shut (with a few exemptions).

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Among next week’s indicators, May’s inflation print will once again be the focus, particularly regarding the details of the services prices dynamics. Banxico noted in its [Inflation Report](#) as well as in the last policy meeting minutes that uncertainty regarding the core inflation trend remain high, and the case of a stronger persistence on the core component, or even a bounce back is not totally out of the question. The May meeting [minutes](#) forward guidance also contrasted with market pricing, as at least two Board members explicitly stated that they do not consider rate cuts for this year, in contradiction of both survey and market expectations of the cutting cycle starting in Q4-23. On the bright side, despite uncertainties, inflation expectations seem to have anchored in recent months.

Peru—Looking Forward to Trend Changes in Inflation and GDP; the Reference Rate Will Have to Wait

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The BCRP will not raise its reference rate at its June 8 meeting. That was easy! The market consensus is nearly unanimous in expecting the same. The BCRP has not modified its reference rate since January, when inflation was 8.7%. Yearly inflation in May has just come in at 7.9%, which is better, but not nearly enough for the BCRP to lower its policy rate. Inflation in May was, moreover, only negligibly below April’s 8.0%. Simply put, things have not changed enough to warrant a change in policy.

But things may start to change soon. We expect a sharp downturn in inflation in June/July. If, as we expect, monthly inflation stays in the vicinity of 0.3% per month (perhaps a bit more in July due to seasonality issues), this would be significantly lower than monthly inflation in June/July 2022 (chart 1). In fact, we would not be surprised to see yearly inflation below 7% in two months’ time.

The wholesale price index provides additional support for this view (chart 2). It now stands at 1.7%, the only inflation indicator that has fallen within the BCRP inflation target range (1.0% to 3.0%). The trend is even more impressive. Wholesale inflation has plummeted from 8.1%, yearly in February, to 1.7% yearly in May. Nearly half of this decline took place in May alone, as WPI inflation declined from 4.2% to 1.7% in a month. CPI inflation typically lags the WPI, but not by all that much.

Inflation expectations, currently at 4.21%, and down from 4.25% last month, has been trending down for some time, but is more adaptative in performance, and, thus, will probably move down more noticeably once the CPI declines with more conviction after June.

Even if inflation plays out as we expect, a cautious BCRP is not likely to lower rates in a hurry. Inflation continues to be in line with our 5.0% year-end forecast, and we maintain our expectation that the BCRP will hold off lowering rates until Q4.

On another note, the mining GDP growth figure for April was released on June 1, and it was strong. Mining and Oil & Gas rose 17.4%, y/y, with mining alone up over 20%. This result was the combination of two factors: a return to normal in mining activity in April, but also a low y/y comparison base due to the partial pause in production at the Las Bambas and Cuajone copper mines in April 2022. As a result, copper output was up an unusual 31% y/y in April 2023.

Fishing GDP, which was also released, was down 2.5% y/y in April, but the sector carries little weight. In any event, we were expecting even worse.

The upshot of the mining data is that April GDP is likely to be above our original 1.5% y/y growth expectation, and could be enough to push April GDP towards, or even a little bit over, 2.0% y/y. The figure is to be released on June 15.

Chart 1

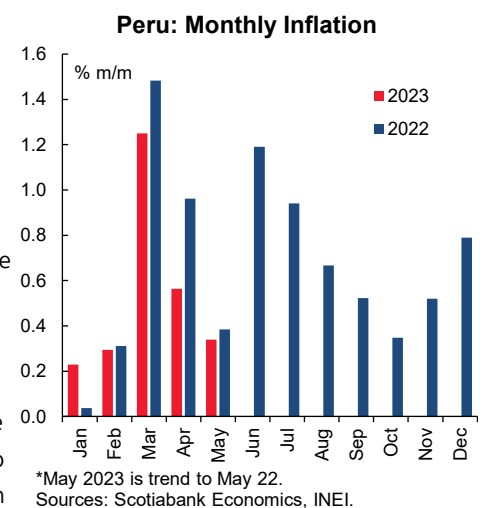
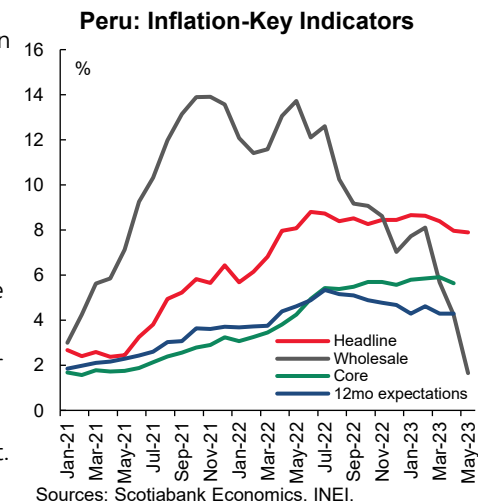


Chart 2



Forecast Updates

	2021		2022			2023				2024							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
Brazil																	
Real GDP (y/y % change)	2.1	2.4	3.7	3.6	1.9	4.0	0.5	0.5	1.2	1.3	1.5	1.6	2.4	5.0	2.9	0.9	1.7
CPI (y/y % , eop)	10.1	11.3	11.9	7.2	5.8	4.7	4.0	6.4	6.0	5.2	4.6	4.3	4.2	10.1	5.8	6.0	4.2
Unemployment rate (% , avg)	11.1	11.1	9.3	8.7	7.9	8.8	9.9	10.1	9.1	9.8	10.5	10.1	9.8	11.1	7.9	9.7	10.1
Central bank policy rate (% , eop)	9.25	11.75	13.25	13.75	13.75	13.75	13.75	13.25	12.50	11.25	10.50	10.25	10.00	9.25	13.75	12.50	10.00
Foreign exchange (USDBRL, eop)	5.58	4.74	5.26	5.42	5.28	5.06	5.41	5.49	5.38	5.47	5.39	5.31	5.23	5.58	5.28	5.38	5.23
Chile																	
Real GDP (y/y % change)	12.7	7.5	5.2	0.2	-2.3	-0.6	-1.4	-1.0	0.0	1.7	2.8	2.9	3.9	11.7	2.4	-0.8	2.8
CPI (y/y % , eop)	7.2	9.4	12.5	13.7	12.8	11.1	7.8	5.2	3.7	2.6	2.7	2.7	3.0	7.2	12.8	3.7	3.0
Unemployment rate (% , avg)	7.2	7.8	7.8	8.0	7.9	8.8	9.5	10.2	9.0	8.7	8.8	8.8	8.3	9.1	7.9	9.4	8.7
Central bank policy rate (% , eop)	4.00	7.00	9.00	10.75	11.25	11.25	11.25	10.00	7.50	6.50	4.00	3.75	3.75	4.00	11.25	7.50	3.75
Foreign exchange (USDCLP, eop)	852	786	918	969	851	795	810	820	830	840	850	850	850	852	851	830	850
Colombia																	
Real GDP (y/y % change)	11.1	8.2	12.2	7.3	2.1	3.0	0.4	1.6	2.2	2.5	2.7	2.4	2.8	11.0	7.3	1.8	2.6
CPI (y/y % , eop)	5.6	8.5	9.7	11.4	13.1	13.3	12.5	10.8	8.8	5.9	5.1	4.7	4.4	5.6	13.1	8.8	4.4
Unemployment rate (% , avg)	11.5	13.2	11.0	10.8	9.8	11.7	10.3	9.6	10.3	10.7	10.3	10.0	10.7	13.8	11.2	10.5	10.4
Central bank policy rate (% , eop)	3.00	5.00	7.50	10.00	12.00	13.00	13.25	13.25	12.25	10.25	8.25	6.75	5.75	3.00	12.00	12.25	5.75
Foreign exchange (USDCOP, eop)	4,080	3,771	4,155	4,609	4,853	4,623	4,714	4,714	4,726	4,743	4,777	4,805	4,823	4,080	4,853	4,726	4,823
Mexico																	
Real GDP (y/y % change)	1.0	1.9	2.4	4.3	3.5	3.7	1.7	0.7	0.3	0.2	0.2	1.9	3.0	4.7	3.0	1.6	1.3
CPI (y/y % , eop)	7.4	7.5	8.0	8.7	7.8	6.8	5.8	5.4	5.5	5.3	4.8	4.4	4.2	7.4	7.8	5.5	4.2
Unemployment rate (% , avg)	3.7	3.5	3.2	3.4	3.0	2.7	3.0	3.5	3.8	3.6	3.7	3.8	3.8	4.1	3.3	3.3	3.7
Central bank policy rate (% , eop)	5.50	6.50	7.75	9.25	10.50	11.25	11.25	11.25	11.00	10.00	9.25	8.75	8.25	5.50	10.50	11.00	8.25
Foreign exchange (USDMXN, eop)	20.53	19.87	20.12	20.14	19.50	18.05	17.90	18.10	18.30	19.30	19.70	20.20	20.20	20.53	19.50	18.30	20.20
Peru																	
Real GDP (y/y % change)	3.3	3.9	3.4	2.0	1.7	-0.4	3.0	2.1	2.4	3.1	2.0	1.5	2.1	13.3	2.7	1.9	2.2
CPI (y/y % , eop)	6.4	6.8	8.8	8.5	8.5	8.4	7.0	6.0	5.0	4.7	3.9	3.7	3.5	6.4	8.5	5.0	3.5
Unemployment rate (% , avg)	7.8	9.4	6.8	7.7	7.1	7.5	7.4	7.2	7.2	7.6	7.4	7.1	6.8	10.9	7.7	7.4	7.2
Central bank policy rate (% , eop)	2.50	4.00	5.50	6.75	7.50	7.75	7.75	7.75	7.25	6.75	6.25	5.75	5.25	2.50	7.50	7.25	5.25
Foreign exchange (USDPEN, eop)	4.00	3.68	3.83	3.98	3.81	3.76	3.75	3.80	3.85	3.85	3.80	3.80	3.85	4.00	3.81	3.85	3.85
Canada																	
Real GDP (y/y % change)	3.9	3.2	4.7	3.8	2.1	2.2	1.1	0.3	0.5	0.1	0.7	1.5	2.1	5.0	3.4	1.0	1.1
CPI (y/y % , eop)	4.7	5.8	7.5	7.2	6.7	5.1	4.1	3.8	3.2	2.7	2.5	2.2	2.3	4.7	6.7	3.2	2.3
Unemployment rate (% , avg)	6.3	5.7	5.1	5.1	5.1	5.0	5.2	5.4	5.7	5.9	5.9	6.1	6.1	7.5	5.3	5.4	6.0
Central bank policy rate (% , eop)	0.25	0.50	1.50	3.25	4.25	4.50	4.75	4.75	4.75	4.25	4.00	3.50	3.25	0.25	4.25	4.75	3.25
Foreign exchange (USDCAD, eop)	1.26	1.25	1.29	1.38	1.36	1.35	1.35	1.30	1.30	1.27	1.27	1.25	1.25	1.26	1.36	1.30	1.25
United States																	
Real GDP (y/y % change)	5.7	3.7	1.8	1.9	0.9	1.6	1.9	1.0	0.3	0.1	0.2	0.8	1.5	5.9	2.1	1.2	0.6
CPI (y/y % , eop)	6.8	8.0	8.6	8.3	7.1	5.8	4.7	4.4	4.1	3.3	3.0	2.7	2.6	6.8	7.1	4.1	2.6
Unemployment rate (% , avg)	4.2	3.8	3.6	3.6	3.6	3.5	3.5	3.7	3.8	4.0	4.2	4.4	4.5	5.4	3.6	3.6	4.3
Central bank policy rate (% , eop)	0.25	0.50	1.75	3.25	4.50	5.00	5.25	5.25	5.25	4.75	4.25	3.75	3.50	0.25	4.50	5.25	3.50
Foreign exchange (EURUSD, eop)	1.14	1.11	1.05	0.98	1.07	1.08	1.05	1.10	1.10	1.10	1.10	1.12	1.12	1.14	1.07	1.10	1.12

Source: Scotiabank Economics.

Red indicates changes in estimates and forecasts since previous *Latam Weekly* on May 19, 2023.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2021		2022			2023				2024							
Brazil	Q4	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
Real GDP (y/y % change)	-	-	-	-	-	2.5	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2021		2022			2023				2024							
Chile	Q4	Q1	Q2	Q3	Q4e	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022e	2023f	2024f
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-0.2	-0.2	-0.2	-	-	-	-	-	-	-0.1	-
Central bank policy rate (% eop)	-	-	-	-	-	-	0.25	0.50	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCPL, eop)	-	-	-	-	-	-	-40.00	-30.00	-20.00	40.00	70.00	80.00	100.00	-	-	-20.00	100.00

	2021		2022			2023				2024							
Colombia	Q4	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
Real GDP (y/y % change)	-	-	-	-	-	-	-0.1	1.0	0.7	-0.1	-	-	0.4	-	-	0.3	0.1
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2021		2022			2023				2024							
Mexico	Q4	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
Real GDP (y/y % change)	-	-	-	-	-	-	-	0.1	-	0.1	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2021		2022			2023				2024							
Peru	Q4	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-0.1	-0.1	-	-	0.1	0.1	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2021		2022			2023				2024							
Canada	Q4	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
Real GDP (y/y % change)	-	-	-	-	-	0.1	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCAD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2021		2022			2023				2024							
United States	Q4	Q1	Q2	Q3	Q4	Q1	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
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 May 19, 2023.

Forecast Updates: Central Bank Policy Rates and Outlook

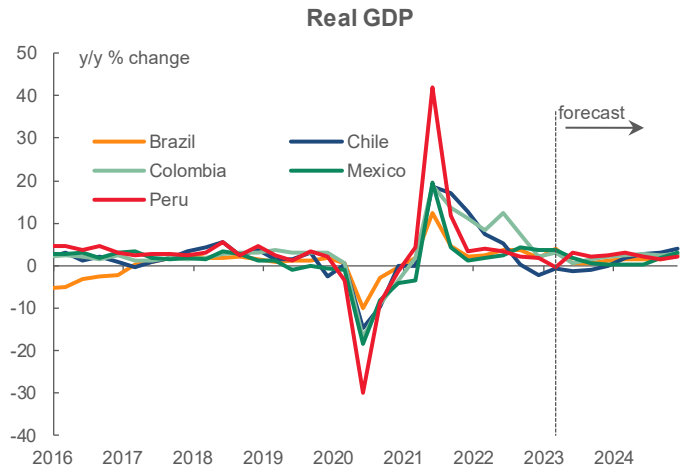
Latam Central Banks: Policy Rates and Outlook

	Next Scheduled Meeting				Market Pricing		BNS Forecast		BNS guidance for next monetary policy meeting
	Current	Date	Market	BNS	12 mos	24 mos	End-2023	End-2024	
Brazil, BCB, Selic	13.75%	Jun-21	n.a.	13.75%	n.a.	n.a.	12.50%	10.00%	
Chile, BCCh, TPM	11.25%	Jun-19	n.a.	11.25%	n.a.	n.a.	7.50%	3.75%	We expect the central bank to initiate the rate-cutting cycle at the July meeting. We project the benchmark rate to be 7.50% through to December 2023.
Colombia, BanRep, TII	13.25%	June-30	n.a.	13.25%	n.a.	n.a.	12.25%	5.75%	Recent economic activity data supports the thesis of rate stability in the June meeting. Risk for May's inflation data (to be released June 7) is on the downside. Both these elements, as well as a more calm FX, create an appropriated context for a rate pause.
Mexico, Banxico, TO	11.25%	Jun-22	n.a.	11.25%	n.a.	n.a.	11.00%	8.25%	As was expected, Banxico ended the hiking cycle at 11.25%. Inflation expectations have remained stable, but the balance of risks is still biased to the upside. The debate will now be centered on the when Banxico will start the cuts cycle. For now, we think Banxico won't cut until the December meeting, but our outlook remains subject to inflation trajectory, especially on its core components, as well as the development of events in the international banking system.
Peru, BCRP, TIR	7.75%	Jun-08	n.a.	7.75%	n.a.	n.a.	7.25%	5.25%	The BCRP will maintain its monetary pause stance in June for the fifth consecutive month. Headline inflation will remain high, without visible signs to suggest a rate cut yet.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

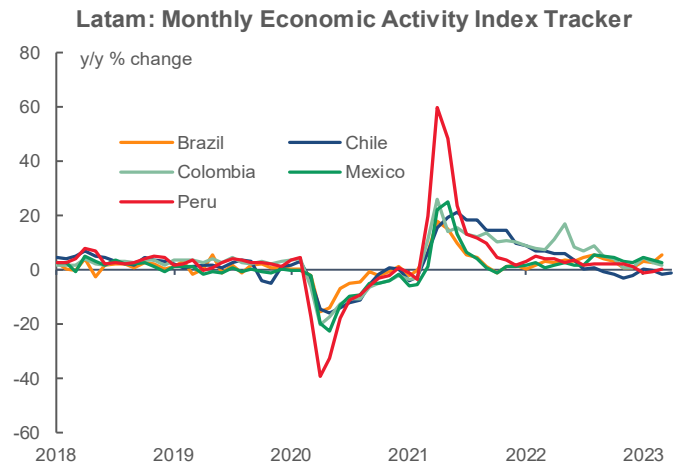
Key Economic Charts

Chart 1



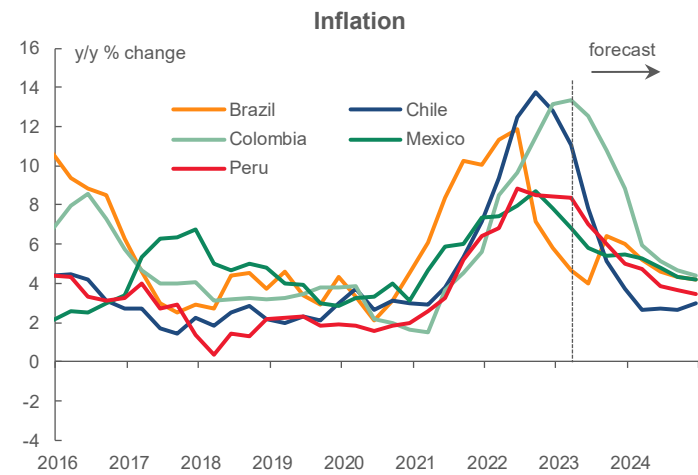
Sources: Scotiabank Economics, Haver Analytics.

Chart 2



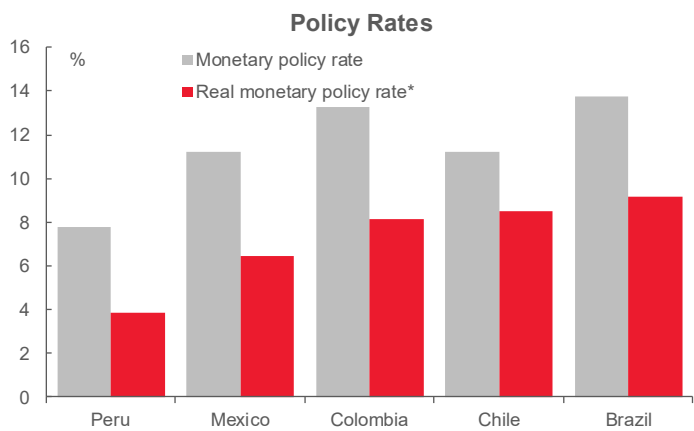
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



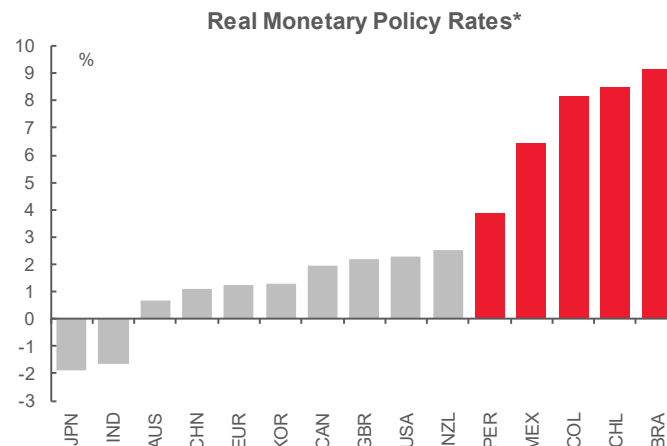
Sources: Scotiabank Economics, Haver Analytics.

Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2024, % y/y. Sources: Scotiabank Economics, Haver Analytics.

Chart 5



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q2-2024, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

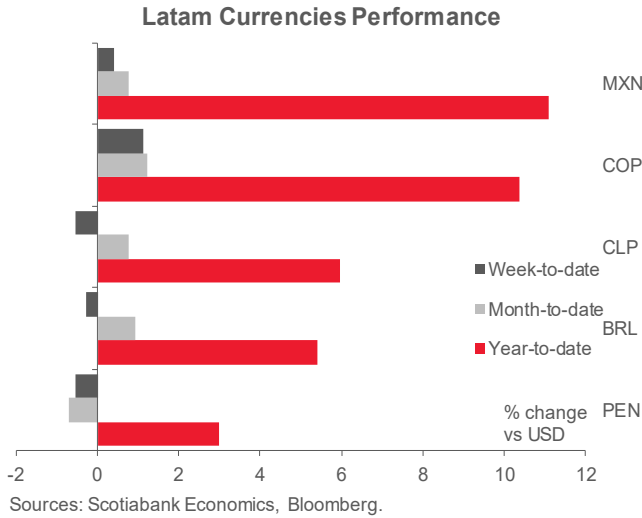


Chart 2

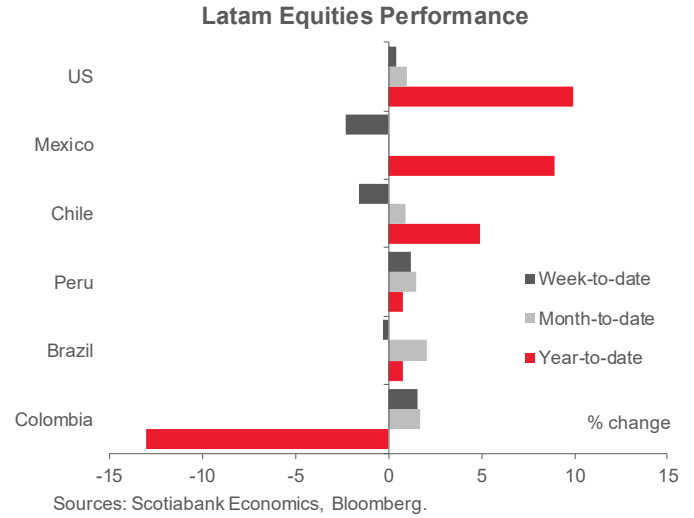


Chart 3

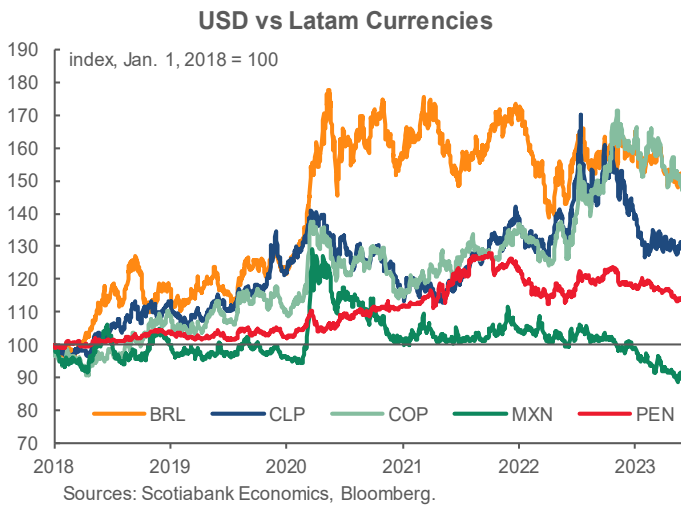
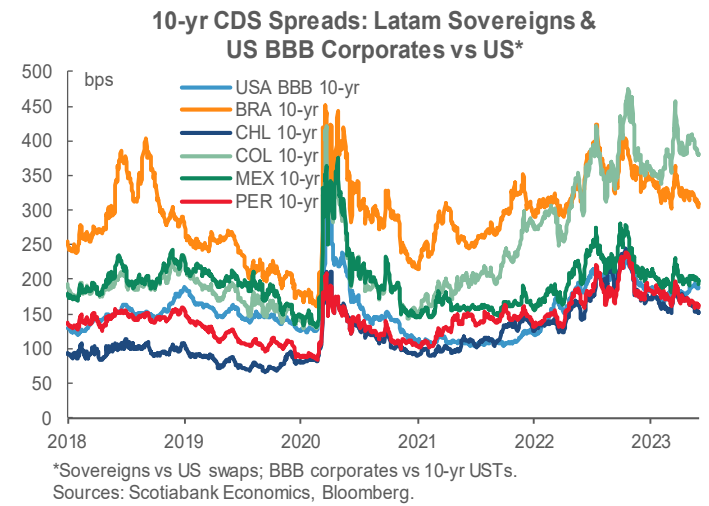
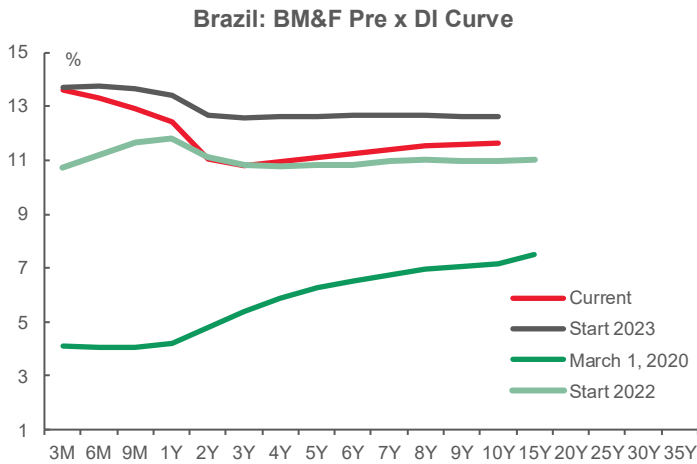


Chart 4



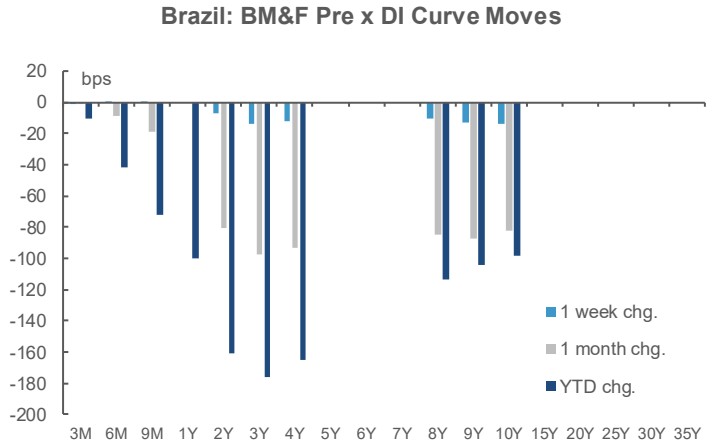
Yield Curves

Chart 1



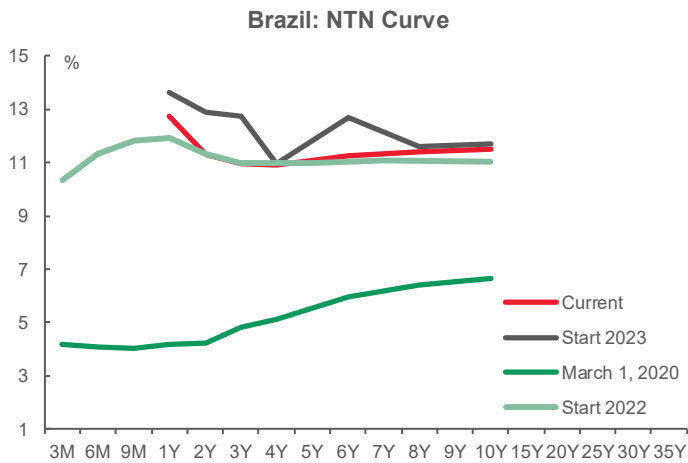
Sources: Scotiabank Economics, Bloomberg.

Chart 2



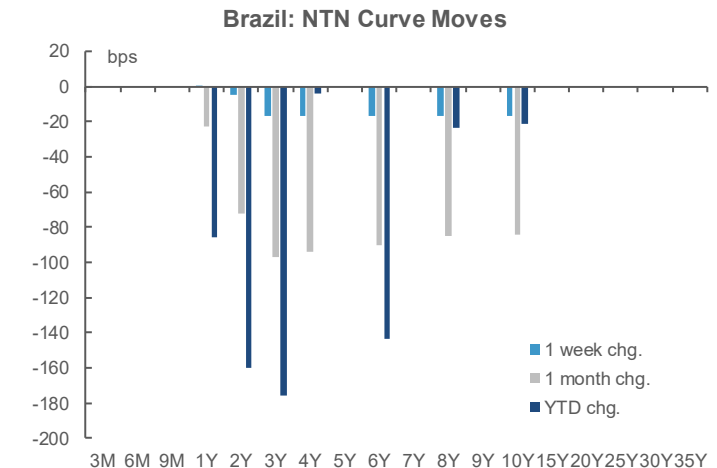
Sources: Scotiabank Economics, Bloomberg.

Chart 3



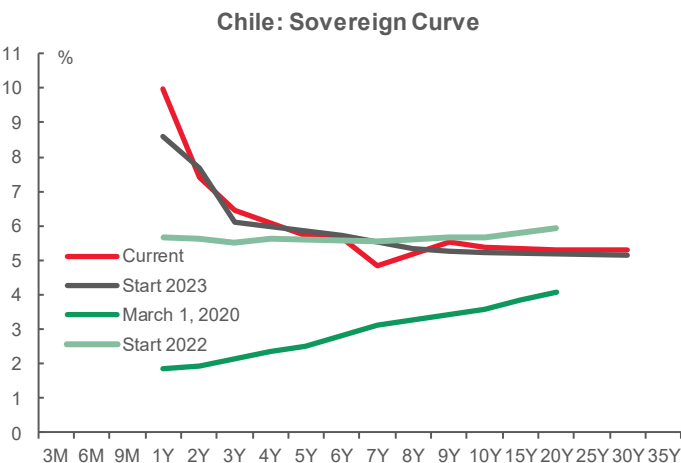
Sources: Scotiabank Economics, Bloomberg.

Chart 4



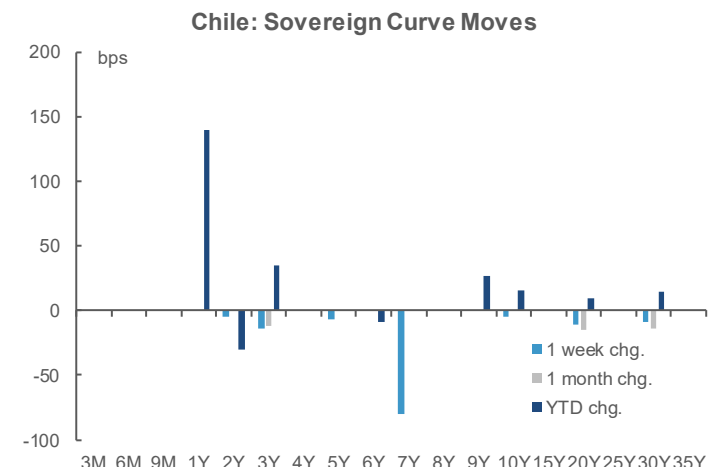
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

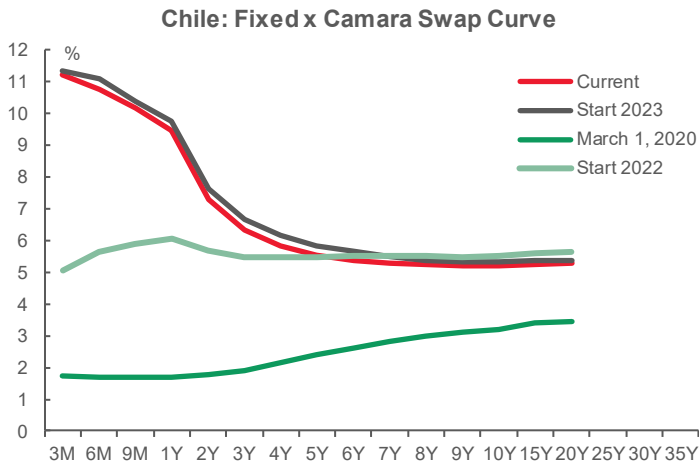
Chart 6



Sources: Scotiabank Economics, Bloomberg.

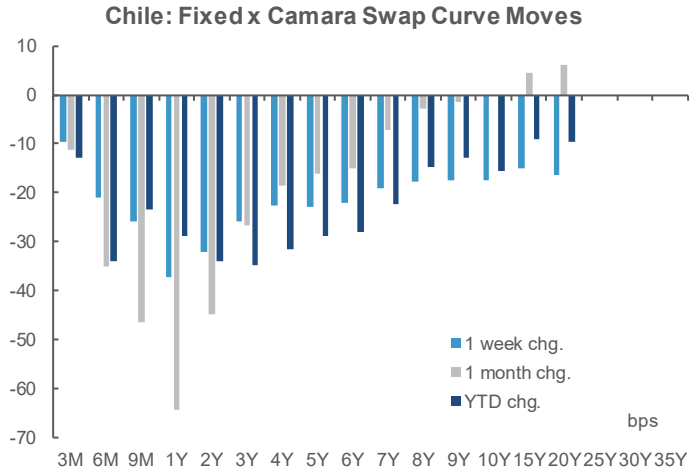
Yield Curves

Chart 7



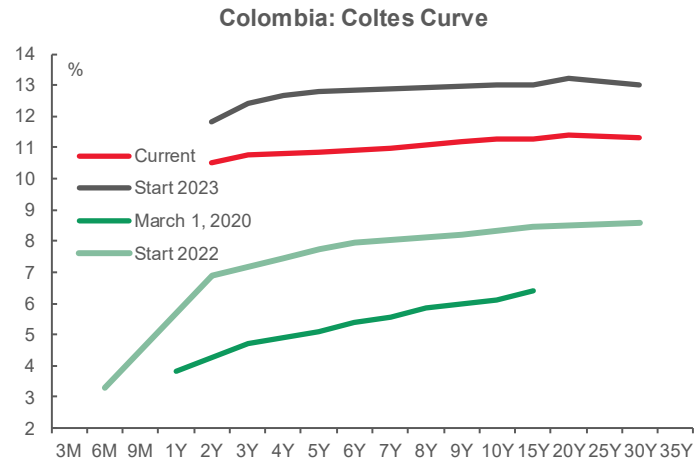
Sources: Scotiabank Economics, Bloomberg.

Chart 8



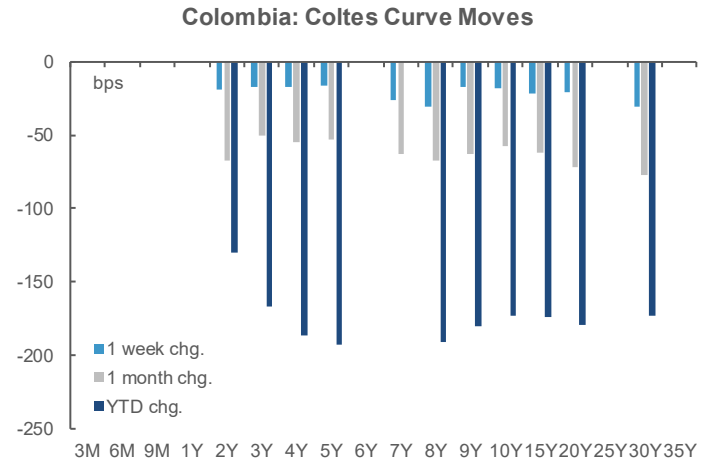
Sources: Scotiabank Economics, Bloomberg.

Chart 9



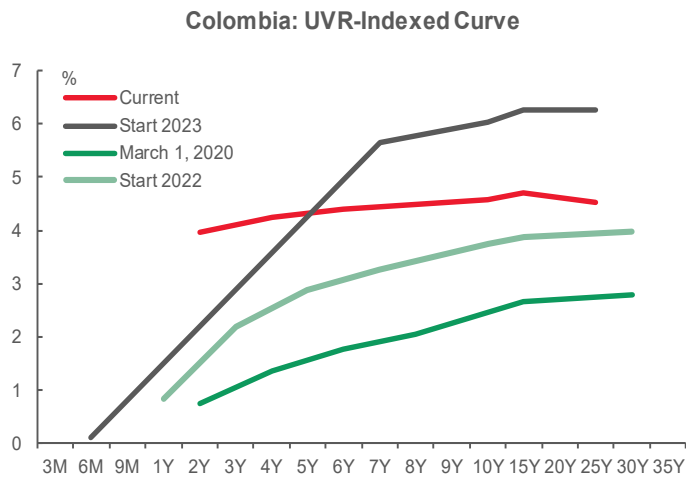
Sources: Scotiabank Economics, Bloomberg.

Chart 10



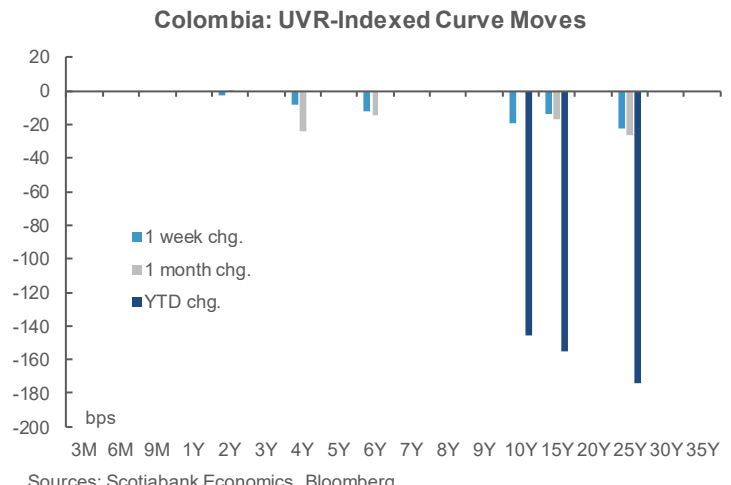
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

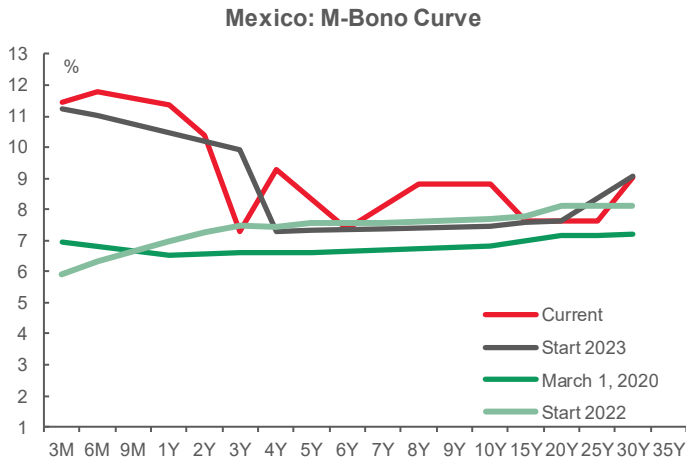
Chart 12



Sources: Scotiabank Economics, Bloomberg.

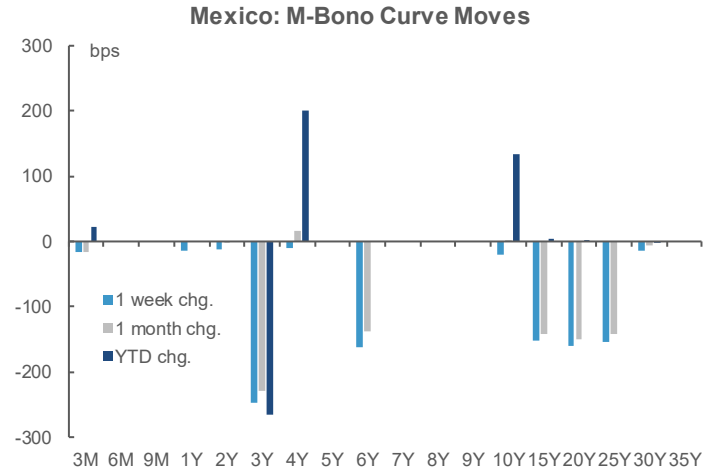
Yield Curves

Chart 13



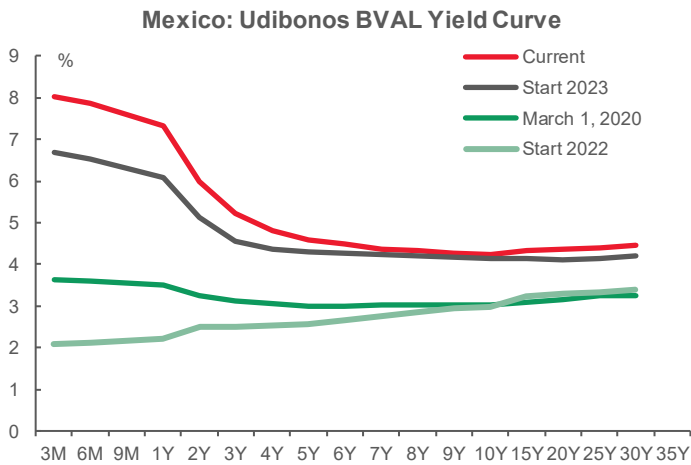
Sources: Scotiabank Economics, Bloomberg.

Chart 14



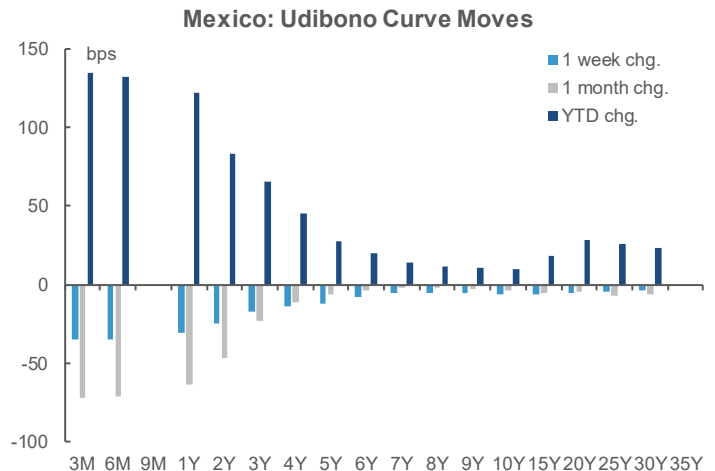
Sources: Scotiabank Economics, Bloomberg.

Chart 15



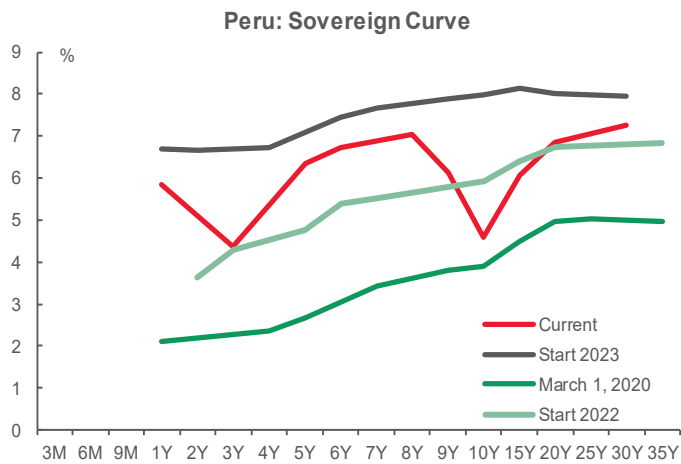
Sources: Scotiabank Economics, Bloomberg.

Chart 16



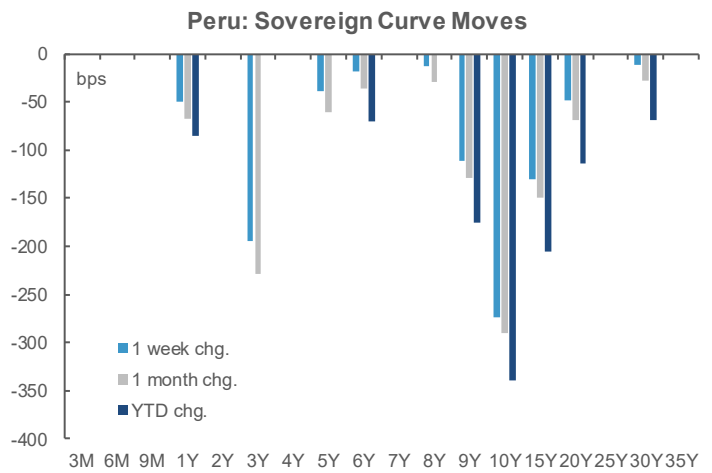
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for June 3-16

BRAZIL

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Jun-05	7:25 Central Bank Weekly Economist Survey		--			
Jun-05	9:00 S&P Global Brazil Composite PMI	May	--	--	51.8	
Jun-05	9:00 S&P Global Brazil Services PMI	May	--	--	54.5	
Jun 01-05	Vehicle Sales Fenabrave	May	--	--	160684	
Jun-06	7:00 FGV Inflation IGP-DI m/m	May	--	--	-1.01	
Jun-06	7:00 FGV Inflation IGP-DI y/y	May	--	--	-2.57	
Jun-07	8:00 IBGE Inflation IPCA m/m	May	--	0.35	0.61	
Jun-07	8:00 IBGE Inflation IPCA y/y	May	--	--	4.18	
Jun 06-07	Vehicle Sales Anfavea	May	--	--	160730	
Jun 06-07	Vehicle Exports Anfavea	May	--	--	34007	
Jun 06-07	Vehicle Production Anfavea	May	--	--	178853	
Jun-12	4:00 FIPE CPI - Weekly (%)	07-Jun	--	--	0.38	
Jun-12	7:00 FGV CPI IPC-S (%)	09-Jun	--	0.25	0.08	
Jun-12	7:25 Central Bank Weekly Economist Survey		--			
Jun-12	14:00 Trade Balance Weekly (USD mn)	11-Jun	--	--	2268	
Jun-14	8:00 Retail Sales Broad m/m	Apr	--	--	3.6	
Jun-14	8:00 Retail Sales Broad y/y	Apr	--	--	8.8	
Jun-14	8:00 Retail Sales y/y	Apr	--	--	3.2	
Jun-14	8:00 Retail Sales m/m	Apr	--	--	0.8	
Jun-15	8:00 IBGE Services Volume m/m SA	Apr	--	--	0.9	
Jun-15	8:00 IBGE Services Volume y/y NSA	Apr	--	--	6.3	
Jun-16	7:00 FGV Inflation IGP-10 m/m	Jun	--	--	-1.53	
Jun-16	7:00 FGV CPI IPC-S (%)	16-Jun	--	0.25	0.08	
Jun-16	8:00 Economic Activity y/y	Apr	--	--	5.46	
Jun-16	8:00 Economic Activity m/m	Apr	--	--	-0.15	

CHILE

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Jun-07	8:30 Trade Balance (USD mn)	May	--	--	1146	
Jun-07	8:30 Exports Total (USD mn)	May	--	--	7609	
Jun-07	8:30 Imports Total (USD mn)	May	--	--	6463.5	
Jun-07	8:30 Copper Exports (USD mn)	May	--	--	3540	
Jun-07	8:30 International Reserves (USD mn)	May	--	--	39781	
Jun-07	9:00 Nominal Wage y/y	Apr	--	--	11.2	
Jun 01-07	IMCE Business Confidence	May	--	--	41.36	
Jun-08	8:00 CPI y/y	May	8.8	8.9	9.9	
Jun-08	8:00 CPI m/m	May	0.2	0.3	0.3	We project a 0.2% m/m increase (8.8% y/y), below surveys (Economic Expectations Survey: 0.4%; Financial Traders Survey: 0.3%) and forecasts (0.3%).
Jun-08	8:00 CPI Ex Volatile Items m/m	May	0.2	--	0.7	At the underlying level (excluding volatiles), we forecast an increase of 0.2% m/m (9.5% y/y), explained by services (0.3% m/m). On the goods side, we see no change from the previous month.
Jun-08	8:00 CPI Ex Volatile Items y/y	May	9.5	--	10.3	
Jun-12	8:30 Central Bank Economist Survey		--			
Jun 07-12	Vehicle Sales Total	May	--	--	19522	
Jun-14	8:30 Central Bank Traders Survey		--	--	--	

COLOMBIA

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Jun-06	11:00 Exports FOB (USD mn)	Apr	--	--	4463	
Jun-07	19:00 CPI y/y	May	12.6	12.68	12.8	Inflation is expected to continue slowing down. Food prices point to the possibility of a downside surprise vs. our expectations again. On the other hand, core inflation will continue reflecting
Jun-07	19:00 CPI Core y/y	May	11.56	--	11.51	indexation effects in rental fees and some labour-intensive services. Either way, it will be the last
Jun-07	19:00 CPI m/m	May	0.65	0.69	0.78	inflation reading before BanRep's June meeting, and we think it will contribute to affirming the
Jun-07	19:00 CPI Core m/m	May	0.72	--	0.99	rate stability thesis.
Jun-13	Consumer Confidence Index	May	--	--	-28.8	
Jun-15	11:00 Manufacturing Production y/y	Apr	--	--	-2.01	
Jun-15	11:00 Industrial Production y/y	Apr	--	--	-0.4	
Jun-15	11:00 Retail Sales y/y	Apr	--	--	-7.1	
Jun-15	Central Bank's Economists Survey		--			

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for June 3-16

MEXICO

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Jun-05	8:00 Private Consumption y/y	Mar	--	--	3.64
Jun-05	8:00 Consumer Confidence	May	--	--	44.09
Jun-05	8:00 Gross Fixed Investment NSA y/y	Mar	--	--	12.7
Jun-05	8:00 Gross Fixed Investment SA m/m	Mar	--	--	1.94
Jun-06	8:00 Vehicle Production	May	--	--	294550
Jun-06	8:00 Vehicle Exports	May	--	--	253335
Jun-06	11:00 International Reserves Weekly (USD mn)	02-Jun	--	--	202512
Jun-06	Banamex Survey of Economists		--	--	
Jun 01-07	Formal Job Creation Total	May	--	--	24.01
Jun-08	8:00 CPI m/m	May	-0.06	--	-0.02
Jun-08	8:00 CPI Core m/m	May	0.4	--	0.4
Jun-08	8:00 CPI y/y	May	6	--	6.25
Jun-08	8:00 CPI Core y/y	May	7.47	--	7.67
Jun-08	8:00 Bi-Weekly CPI (%)	31-May	--	--	-0.32
Jun-08	8:00 Bi-Weekly Core CPI (%)	31-May	--	--	0.18
Jun-08	8:00 Bi-Weekly CPI y/y	31-May	--	--	6
Jun-08	8:00 Bi-Weekly Core CPI y/y	31-May	--	--	7.45
Jun-09	8:00 Industrial Production NSA y/y	Apr	--	--	1.58
Jun-09	8:00 Manuf. Production NSA y/y	Apr	--	--	1.07
Jun-09	8:00 Industrial Production SA m/m	Apr	--	--	-0.89
Jun-09	Nominal Wages	May	--	--	9.3
Jun-12	ANTAD Same-Store Sales y/y	May	--	--	6.2
Jun-13	11:00 International Reserves Weekly (USD mn)	09-Jun	--	--	202512

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<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest BNS Comments</u>
Jun-08	19:00 Reference Rate (%)	08-Jun	7.75	7.75	7.75 BCRP would keep its monetary pause. Inflation shows slight signs of deceleration.
Jun-15	11:00 Lima Unemployment Rate (%)	May	6.8	--	7.1 Driven by a recovery in the service sector.
Jun-15	11:00 Economic Activity y/y	Apr	1.5	--	0.22 Driven by growth in mining (copper output). Partially offset by a decline in the construction sector (in line with weak private investment).

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

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