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Latam Weekly: Peru Rate Decision/GDP and Brazil Inflation vs ECB and US CPI

ECONOMIC OVERVIEW

- Next week's Latam docket has some pockets of market-relevant data and events amid an otherwise fairly quiet week in the region.
- In Peru, the central bank's decision, where we now see a hold as more likely, is accompanied by GDP and unemployment data. Brazilian CPI, where a jump is expected, and Colombian retail sales, set to show another large year-on-year drop, are the other regional highlights.
- In today's weekly, our economists preview the BCRP's decision, look at the early start of Mexico's presidential election race, and outline the year of transition that Colombia is in and its successes during this period.
- US and Chinese CPI and retail sales, the ECB's decision (likely hold), a possible rate cut by the PBoC, UK jobs and GDP, and Australian jobs are all on tap over the next seven days to drive global markets.

PACIFIC ALLIANCE COUNTRY UPDATES

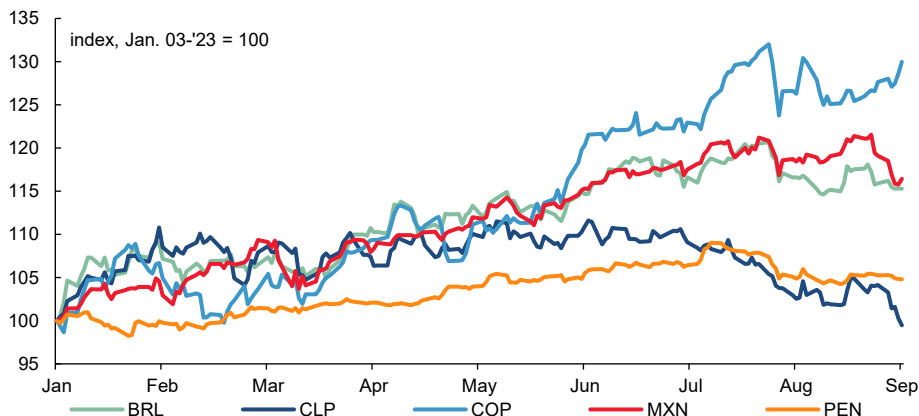
- We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Colombia, Mexico and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period September 9-22 across the Pacific Alliance countries and Brazil.

Chart of the Week

Strong Carry Returns in Latam YTD



*Carry returns- beginning from January 3, 2023.
Sources: Scotiabank Economics, Bloomberg.

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

Economic Overview: Peru Rate Decision/GDP and Brazil Inflation vs ECB and US CPI

- **Next week's Latam docket has some pockets of market-relevant data and events amid an otherwise fairly quiet week in the region.**
- **In Peru, the central bank's decision, where we now see a hold as more likely, is accompanied by GDP and unemployment data. Brazilian CPI, where a jump is expected, and Colombian retail sales, set to show another large year-on-year drop, are the other regional highlights.**
- **In today's weekly, our economists preview the BCRP's decision, look at the early start of Mexico's presidential election race, and outline the year of transition that Colombia is in and its successes during this period.**
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Next week's Latam docket has some pockets of market-relevant data and events amid an otherwise fairly quiet week in the region when key external developments look set to call the shots for global trading, shaping the mood in local markets. US and Chinese CPI and retail sales, the ECB's decision (likely hold), a possible rate cut by the PBoC, UK jobs and GDP, and Australian jobs are all on tap over the next seven days.

Another Latam central bank may join the regional rate cuts movement next week. Or not. Our team in Peru now think the BCRP will favour a hold, shifting their call for the first rate cut to come at the October decision (maybe even November?). So what has changed to heavily reduce the odds that the BCRP will move next week? The Lima team looks at what recent data have showed and the risks on the horizon.

After a disappointing domestic economic performance through H1-2023, Peru's central bank may have joined the rate-cutting club of policymakers from Brazil, Chile, Uruguay, Paraguay, and Dom Rep, with a 25bps reduction next week. Maybe not yet, though we can't rule it out.

Peruvian GDP figures for July out the following day, alongside August unemployment data, are expected to show only a marginal increase in output year-on-year that will not materially chip away at weakness in the first half of the year (-0.4% and -0.5% y/y in Q1 and Q2, respectively).

On Tuesday, Brazilian inflation for August is seen jumping to its highest pace since Q1, above the mid-4s in year-on-year terms, due mainly to less favourable base effects as fuel/utilities tax cuts fade; in September, a 16.3% increase in gasoline prices by Petrobras will also result in an inflation spike to 5%+. Setting the jump in headline inflation aside, and considering it is also seen ending the year around 5% (from the 3.2% low in June), markets will focus on the pace of price gains in services that are the BCB's focus.

For now, markets are comfortable in their expectation that the Campos Neto-led central bank will move at a 50bps cutting pace over the next five or six meetings. But,

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sticky services inflation, a weaker real since late-July, and higher energy prices (and how expectations may be shaped) point to limited risk that the Brazilian front-end will rally in the near-term. Inflation data are key, but the BCB will also likely keep an eye on demand developments, with services volume and retail sales data for July out on Thursday and Friday, respectively.

Mexico's sole notable data release next week will come on Monday. Industrial and manufacturing production figures are on tap that day before radio silence until the second half of the following week when we'll get retail sales and H1-Sept CPI. Political noise following the selection of Sheinbaum to lead Morena and Galvez to lead the PRI/PAN/PRD in next year's presidential election may be more important to follow. The Mexico team looks at how the main candidacies are shaping up, and note the possibility that former foreign affairs secretary Ebrard runs for Movimiento Ciudadano after losing the internal Morena 'primary' to Sheinbaum.

In Colombia, it's the opposite to Mexico in terms of data releases, as we have to wait until the end of the week for retail sales, and industrial/manufacturing production records for July and BanRep's survey of economists. The macro data will inform our forecast for the following Monday's July GDP proxy (economic activity) data, that will in turn shape our expectations for BanRep's next policy decisions. After August CPI data released on September 8th came in stronger than expected, it's very tough to see Colombian officials kicking off the easing cycle at their late-September decision. In the [Latam Daily](#), our economists even believe the central bank could hold off until December instead of their call of an October start. In today's Weekly, the team highlights the year of transition that Colombia finds itself in as underlying stabilizers help the country get through the series of shocks of the past few years.

On central banks, Chile's schedule is bare of any data or events worth highlighting, except for the results of the BCCh's Economic Expectations Survey due on Tuesday. Here, we'll see whether the median aligns with the bank's guidance that suggests they'll stick to 75bps cuts at their two remaining decisions of the year, to close 2023 at 8.00%, or if it still sees a 7-handled year-end rate at 7.75% (a 25bps increase from the August survey median), which is our own forecast for year-end.

Pacific Alliance Country Updates

Colombia—2023: The Year of Transition for the Colombian Economy

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In recent history, Colombia has experienced three significant shocks that have affected economic activity and caused imbalances in the country's economy. The first one was undoubtedly the pandemic, which almost completely paralyzed productive activity. Subsequently, with the complete reopening of the Colombian economy, there was an extraordinary rebound in growth in 2022, even above its potential, which led to inflation reaching highs not seen since the beginning of the century. Thus, inflation became the second shock that the economy had to face, forcing the Banco de la República to raise interest rates.

Thirdly, and no less importantly, the shock was related to the risk generated by the arrival of the first President of the Republic with leftist political orientations and the uncertainty about the country's institutions that his arrival represented.

Recent developments in the Colombian economy have shown that although economic activity has had to face, and react, to each of these shocks, evidence has shown that the country has its own stabilizers that control economic imbalances and allow us to reaffirm our hypothesis that in 2023 we are in a year of transition to set on, again, a more sustainable path of growth and converge to more sustainable inflation and interest rates levels. The current year has been a year in which:

- The cumulative effect of high inflation and high interest rates has motivated a healthy moderation in economic activity, which expanded in the second quarter of 2023 at the slowest pace since the first quarter of 2021, with real GDP growth of 0.3% y/y, driven by service-related sectors offsetting the decline in trade and manufacturing. Nevertheless, we expect the economy to have bottomed out in the second quarter of the year, with a very gradual recovery outlook in the second half of 2023.
- Inflation peaked at 13.34% y/y in March 2023, boosted by falling food prices from a high of 27.8% in December 2022 to 12.44% y/y in August, which was the main driver of the overall inflation correction. This, together with the moderation in prices of tradable goods, allowed inflation to gradually decline to 11.43% in August. This downward trend has allowed BanRep to pause, but it remains largely dependent on the inflation correction for any interest rate cuts, which we expect to occur from Q4.
- Data show a labour market that remains strong in the face of the economic slowdown: June saw the lowest national unemployment rate since November 2015, while July saw the national unemployment rate remain in the single digits (9.6%). This positive result was driven by job creation in the more labour-intensive service sectors of the economy (+218 thousand new jobs in the arts and entertainment sector in July).
- The current account deficit went from 6% of GDP to 3% of GDP, its lowest since the third quarter of 2020, showing a greater correction of external imbalances. This owes to the healthy signal from the free-floating exchange rate framework to reduce imports and a slowing to a more sustainable path of domestic demand.
- Fiscal sustainability continues to be a pillar of the economy, demonstrating once again that Colombia's institutions are strong.

Thus, 2023 is demonstrating that Colombian economic activity has its own stabilizers that are working to ensure long-term sustainability. However, there are risks related to a possible significant increase in next year's budget. This is because we are without a clear direction on where additional government revenue could come from, especially without knowing the cost of reforms (and although we expect the National Government to continue complying with fiscal rule), which remains the most important source of concern amid a transitional and healthy adjustment that the Colombian economy is experiencing this year.

Mexico—Electoral Race Informally Kicks Off

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Mexico's election is kicking off earlier than usual this year, as the two main party coalitions have now elected those who are seen as their standard bearers. There is some debate over whether this is an actual early start or not, because the two coalitions have held internal processes for what they say is the selection of their campaign coordinators to avoid running afoul of [electoral legislation](#) which has strong penalties for early campaigns. Sanctions can be as severe as the disqualification of candidates, or the withdrawal of a party's registry (this can be temporary). Mexico's electoral law states that campaigns don't formally kick off until March 2024 (for the voting day which is the first Sunday of June 2024). However, many of the country's political commentators expect that the ruling Morena and its allies, as well as the coalition formed by three of the top four opposition parties (the so called Frente) have now finished their 'primaries' equivalent. For Morena the winner of the internal process was Claudia Sheinbaum (former governor of Mexico City), and for the Frente the candidate will be Xochitl Galvez (former senator).

The main party which remains undecided is the Movimiento Ciudadano (MC). The party currently governs the key opposition ruled states of Nuevo Leon and Jalisco. However, of the three top contenders who were seen as potential candidates for the MC, two no longer appear to be options. The former three contenders seemed to be:

- Samuel Garcia: Governor of Nuevo Leon appears to be still running for the nomination.
- Enrique Alfaro: outgoing governor of Jalisco, already [seems to have broken ranks](#) from the MC, and he appears set to join the Frente Amplio coalition.
- Luis Donaldo Colosio Riojas: Son of the assassinated 1994 presidential candidate, who currently is the mayor of the key city of Monterrey, has now [publicly stated he will not run for the presidency](#), as he does not want to divide the opposition vote.

From this list, Samuel Garcia appears likely to get the nod to run representing the MC party at first glance. However, there are other chips still at play. Among these chips, is former Foreign Affairs Secretary and Morena internal selection process runner up Marcelo Ebrard, who has very publicly stated his displeasure over the ruling party's selection process. In an interview the day after the results for Morena's process were announced, Ebrard stated that [on September 11th he will make public how he plans to proceed](#), and left open the door to potentially representing the MC.

Based on their backgrounds, the impact of Ebrard splitting from the Morena coalition and representing the MC, compared to an MC candidacy represented by Samuel Garcia, on the broad election are likely quite different. Samuel's voter base seems to be closer aligned with the type of votes the Frente is aiming for. Ebrard could be competition for both the Frente and Morena coalitions.

Peru—What A Difference A Month Makes

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We are no longer certain that the BCRP will begin lowering the reference rate at its September 14th policy meeting. We now believe that the odds are ever so slightly tilted towards the BCRP holding the reference rate at 7.75% for one more month. That is, although lowering the rate by 25bps next week is not nearly off the table, recent events suggest that the BCRP could wait at least one more month.

After the BCRP released their policy statement on August 10th, we moved forward our expectations that the entity would begin to lower its reference rate from November to September. The reason was that the policy statement had mentioned for the first time the BCRP's concern over low economic growth. This was the message that we had been waiting for to indicate an imminent change in policy. The context was a sharply declining inflation rate from 8.7% at the beginning of 2023 to 5.6% in August, with equally significant downtrends in core inflation and inflation expectations.

The caveat was El Niño and its impact on prices.

Fast forward to today, and things have become murky. Growth concerns are as large as ever, but what is filling the headlines locally is news on the rising price of staples and gasoline. At best, 12-month inflation will improve only marginally in September, from 5.6% to 5.5%, which leads one to wonder whether this is enough confirmation of a downtrend for the BCRP to act. Not to mention that it might be taken as odd domestically for the BCRP to lower rates amidst so much noise about rising prices.

Moreover, BCRP officials have been making odd statements that cast doubt on their intentions. Just as one BCRP spokesperson stressed weak growth, none other than BCRP president Julio Velarde reportedly suggested that the BCRP was not in a hurry to lower rates.

The main underlying issue is El Niño. Many of the prices of food staples that have been rising in recent weeks are linked to the impact of severe weather on agriculture production. Agriculture GDP fell a notorious 7.9% in Q2-2023, and we forecast a further—approximately 3%—decline in Q3. At the same time, Peru’s official institution monitoring El Niño (Comisión Multisectorial encargada del Estudio Nacional del Fenómeno El Niño, or ENFEN) recently raised its severity estimates for the second round of El Niño weather starting in December (see table 1). ENFEN now assigns an 84% likelihood that the upcoming El Niño will be moderate-to-strong or worse, whereas before they gave an 86% chance that it would be moderate-to-nonexistent.

This tilt towards a worsening scenario is enough to make all of us additionally cautious, including, no doubt, the BCRP. In fact, not only are we viewing it as less likely that the BCRP will lower its rate in September, but we are also beginning to wonder about October’s meeting. Inflation in October 2022 was only 0.35%, which means that there is a good chance that the downtrend in inflation may very well pause in October of 2023. This is something that the BCRP is most certainly aware of. But, for now, with things evolving in a literal climate of uncertainty, we’ll take things one month at a time.

Severity Dec 2023 - Mar 2024	Previous Reading August 11	Current Reading August 29
No El Niño Event	8	1
Weak Event	38	15
Moderate Event	40	58
Strong Event	13	25
Extraordinary Event	1	1

Sources: Scotiabank Economics, ENFEN.

Forecast Updates

	2021		2022			2023				2024				2021	2022	2023f	2024f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Brazil																	
Real GDP (y/y % change)	2.1	2.4	3.7	3.6	1.9	4.0	3.4	1.8	1.8	1.0	1.2	1.7	2.0	5.0	2.9	2.4	1.5
CPI (y/y % eop)	10.1	11.3	11.9	7.2	5.8	4.7	3.2	5.4	4.9	4.1	4.1	3.9	3.8	10.1	5.8	4.9	3.8
Unemployment rate (% avg)	11.1	11.1	9.3	8.7	7.9	8.8	8.0	8.2	8.0	8.6	8.5	8.4	7.8	11.1	7.9	8.3	8.6
Central bank policy rate (% eop)	9.25	11.75	13.25	13.75	13.75	13.75	13.75	12.75	11.75	10.75	9.75	9.25	9.00	9.25	13.75	11.75	9.00
Foreign exchange (USDBRL, eop)	5.58	4.74	5.26	5.42	5.28	5.06	4.79	4.89	4.95	4.95	4.91	4.77	4.79	5.58	5.28	4.95	4.79

	2021		2022			2023				2024				2021	2022	2023f	2024f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Chile																	
Real GDP (y/y % change)	12.7	7.5	5.2	0.2	-2.3	-0.8	-1.1	-0.4	0.1	1.4	2.7	1.8	3.1	11.7	2.4	-0.5	2.3
CPI (y/y % eop)	7.2	9.4	12.5	13.7	12.8	11.1	7.6	4.9	3.7	2.9	3.1	3.1	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	8.5	9.4	8.5	8.4	8.5	8.4	8.0	9.1	7.9	8.8	8.3
Central bank policy rate (% eop)	4.00	7.00	9.00	10.75	11.25	11.25	11.25	9.50	7.75	6.75	5.75	4.75	4.25	4.00	11.25	7.75	4.25
Foreign exchange (USDCLP, eop)	852	786	918	969	851	795	802	870	870	870	870	870	870	852	851	870	870

	2021		2022			2023				2024				2021	2022	2023f	2024f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Colombia																	
Real GDP (y/y % change)	11.1	8.2	12.2	7.4	2.1	3.0	0.3	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	12.1	10.4	8.6	5.4	4.9	4.5	4.2	5.6	13.1	8.6	4.2
Unemployment rate (% avg)	11.5	13.2	11.0	10.8	9.8	11.7	10.2	9.5	9.7	10.7	9.5	9.8	9.0	13.8	11.2	9.7	9.1
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	4,172	4,225	4,250	4,249	4,278	4,302	4,316	4,080	4,853	4,250	4,316

	2021		2022			2023				2024				2021	2022	2023f	2024f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Mexico																	
Real GDP (y/y % change)	2.0	3.0	3.3	5.1	4.2	3.8	3.6	3.2	2.2	1.9	1.2	1.4	1.9	5.8	3.9	3.2	1.6
CPI (y/y % eop)	7.4	7.5	8.0	8.7	7.8	6.8	5.1	4.5	4.7	4.5	4.4	4.3	4.1	7.4	7.8	4.7	4.1
Unemployment rate (% avg)	3.7	3.5	3.2	3.4	3.0	2.7	2.8	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	11.25	10.75	9.75	8.75	8.25	5.50	10.50	11.25	8.25
Foreign exchange (USDMXN, eop)	20.53	19.87	20.12	20.14	19.50	18.05	17.12	17.30	17.90	17.90	18.30	18.50	18.90	20.53	19.50	17.90	18.90

	2021		2022			2023				2024				2021	2022	2023f	2024f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Peru																	
Real GDP (y/y % change)	3.3	3.9	3.4	2.0	1.7	-0.4	-0.5	3.1	3.1	3.3	3.2	1.2	1.7	13.4	2.7	1.4	2.3
CPI (y/y % eop)	6.4	6.8	8.8	8.5	8.5	8.4	6.5	5.5	5.0	5.1	4.8	4.3	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	6.6	7.0	6.8	7.2	6.7	6.9	6.7	10.9	7.7	7.0	6.8
Central bank policy rate (% eop)	2.50	4.00	5.50	6.75	7.50	7.75	7.75	7.75	7.00	6.50	6.00	5.50	5.00	2.50	7.50	7.00	5.00
Foreign exchange (USDPEN, eop)	4.00	3.68	3.83	3.98	3.81	3.76	3.63	3.75	3.78	3.88	3.80	3.80	3.75	4.00	3.81	3.78	3.75

Sources: Scotiabank Economics, Bloomberg, Haver Analytics, Focus Economics.
 Red indicates changes in estimates and forecasts since previous Latam Weekly on August 11, 2023.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2021		2022			2023				2024				2021	2022	2023f	2024f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	-	1.0	0.5	0.2	0.1	-	0.1	-	-	-	0.2	-
CPI (y/y % eop)	-	-	-	-	-	-	-	0.1	-	0.1	-	-0.1	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-0.2	-0.3	-0.5	-0.4	-0.4	-0.6	-	-	-0.2	-0.3
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-0.25	-0.25	-0.25	-0.25	-0.25	-	-	-0.25	-0.25
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	0.04	0.10	0.17	0.11	0.01	0.07	-	-	0.10	0.07

	2021		2022			2023				2024				2021	2022	2023f	2024f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Chile																	
Real GDP (y/y % change)	-	-	-	-	-	-0.2	0.3	0.6	0.3	0.4	0.3	-0.4	-0.5	-	-	0.3	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-0.1	-	-	-	0.1	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	0.25	0.25	0.75	1.75	0.75	0.25	-	-	0.25	0.25
Foreign exchange (USDCLP, eop)	-	-	-	-	-	-	-	20.00	20.00	15.00	10.00	5.00	-	-	-	20.00	-

	2021		2022			2023				2024				2021	2022	2023f	2024f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Colombia																	
Real GDP (y/y % change)	-	-	-	0.1	-	-	-0.1	-	-	-	-	-	-	-	-	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	0.2	-	-	-	-	-	-	0.2	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-0.1	-0.6	-	-0.8	-0.2	-1.7	-	-	-0.8	-1.3
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2021		2022			2023				2024				2021	2022	2023f	2024f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Mexico																	
Real GDP (y/y % change)	1.0	1.1	0.9	0.8	0.7	0.1	-0.1	-	-	-	-	-	-	1.1	0.9	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	0.25	0.75	0.50	-	-	-	-	0.25	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2021		2022			2023				2024				2021	2022	2023f	2024f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
Peru																	
Real GDP (y/y % change)	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	0.1	-	-	-
CPI (y/y % eop)	-	-	-	-	-	-	-	0.2	-	0.4	0.3	-0.1	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	0.25	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-	-	-	-	0.08	0.05	0.05	-	-	-	-	-

Sources: Scotiabank Economics, Bloomberg, Haver Analytics, Focus Economics.
Changes in estimates and forecasts since previous *Latam Weekly* on August 11, 2023.

Forecast Updates: Central Bank Policy Rates and Outlook

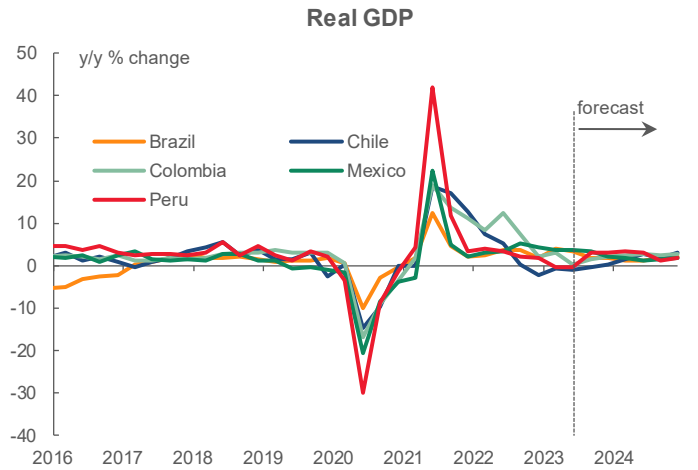
Latam Central Banks: Policy Rates and Outlook

	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	13.25%	Sep-20	n.a.	12.75%	n.a.	n.a.	11.75%	9.00%	
Chile, BCCCh, TPM	9.50%	Oct-26	n.a.	8.75%	n.a.	n.a.	7.75%	4.25%	We anticipate a 75bps cut in the benchmark rate at the October meeting.
Colombia, BanRep, TII	13.25%	Sep-29	n.a.	13.25%	n.a.	n.a.	12.25%	5.75%	Economic indicators are providing mixed signals. Inflation was above expectations, while economic activity posted the lowest expansion since 2021. Either way, BanRep's main focus is on inflation, and despite the market speculating over rate cuts in September, we discard this possibility. In fact, although our official call for a rate cut starting in October remains, recent CPI data put an important bias to a later start of BanRep's easing cycle. Now we see a higher probability of a kick off in December 2023, due to the slower pace of inflation deceleration.
Mexico, Banxico, TO	11.25%	Sep-28	n.a.	11.25%	n.a.	n.a.	11.00%	8.25%	Banxico has signaled a hawkish stance in the last policy meetings, mentioning that a restrictive rate has to remain as long as necessary to assure convergence of inflation to its objective rate. In this sense, stickier core inflation continues to decelerate, but is also the main upside risk in a highly uncertain environment. With this in mind, we moved our call of a first rate cut to February, in line with consensus.
Peru, BCRP, TIR	7.75%	Sep-14	n.a.	7.75%	n.a.	n.a.	7.00%	5.00%	We are no longer certain that the BCRP will begin lowering the key rate at its September 14 policy meeting. We now believe that the odds are ever so slightly tilted towards the BCRP holding the reference rate at 7.75% for one more month. That is, although lowering the rate by 25bps next week is not completely off the table, recent events suggest that the BCRP could wait at least one more month.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

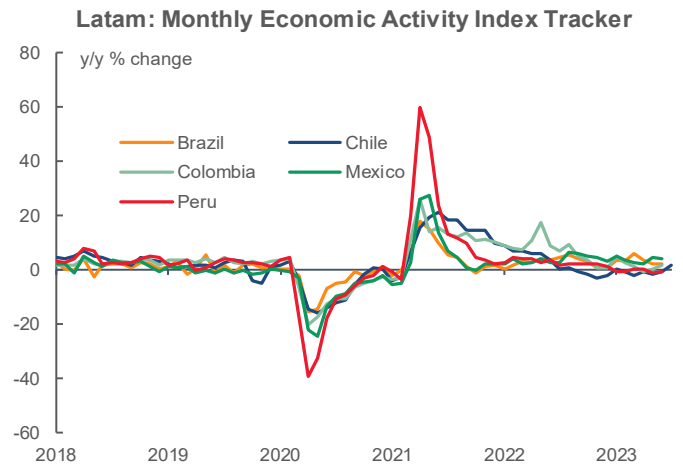
Key Economic Charts

Chart 1



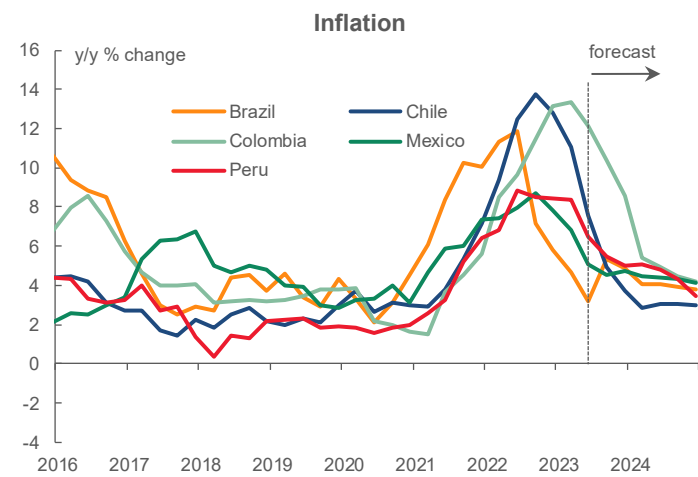
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



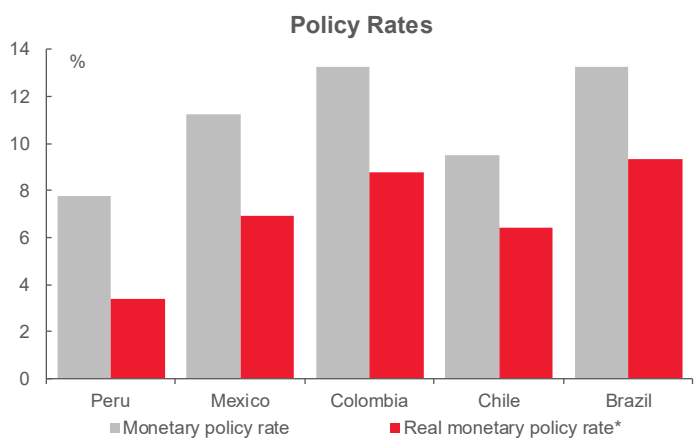
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



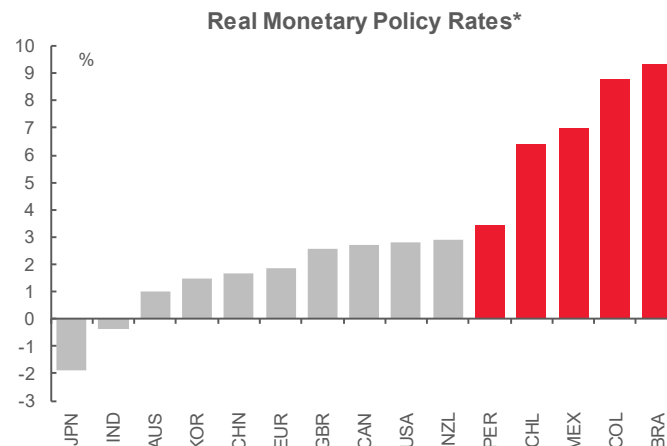
Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q3-2024, % y/y. Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 5



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q3-2024, % y/y. Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

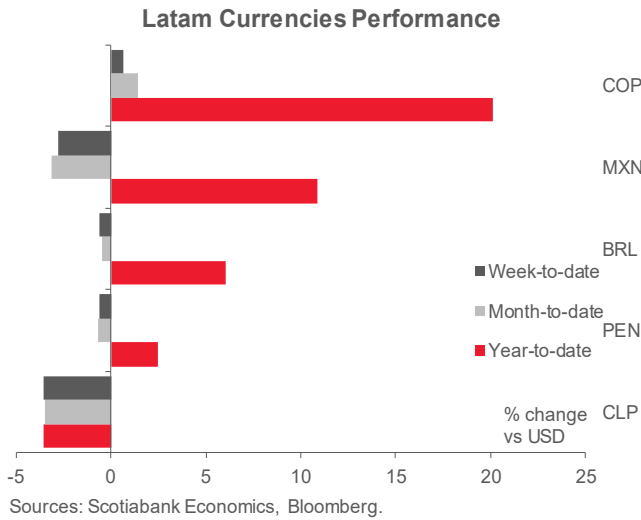


Chart 2

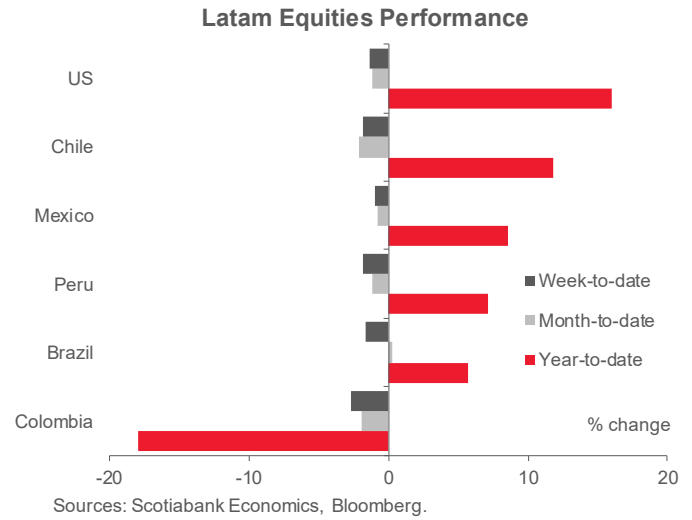


Chart 3

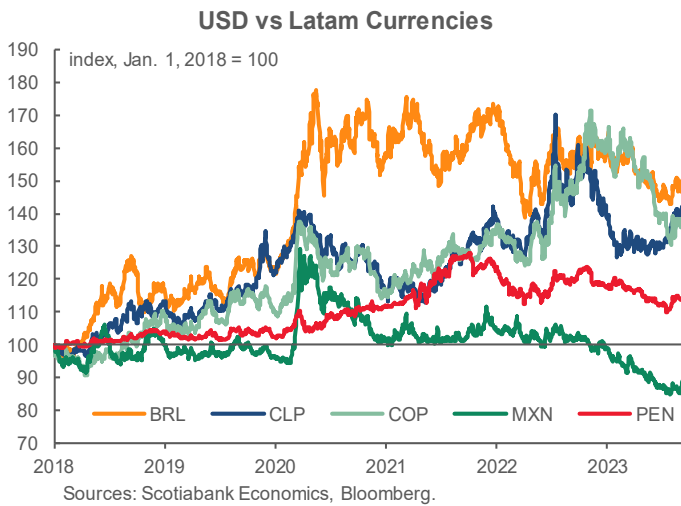
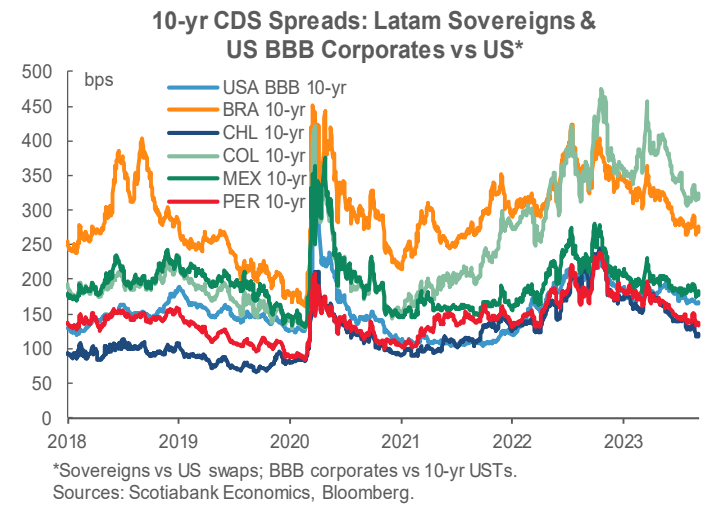
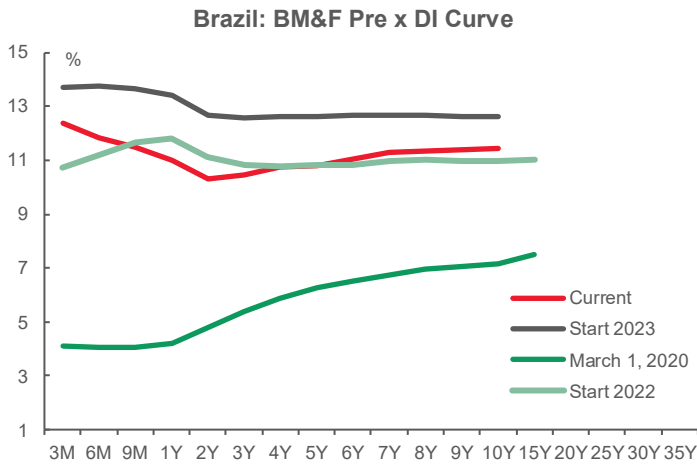


Chart 4



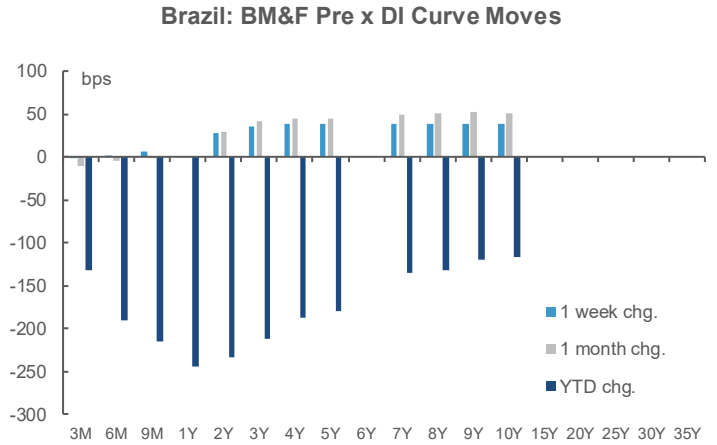
Yield Curves

Chart 1



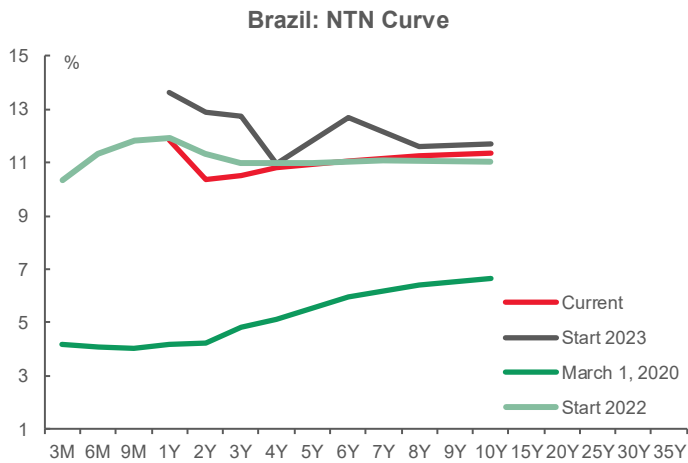
Sources: Scotiabank Economics, Bloomberg.

Chart 2



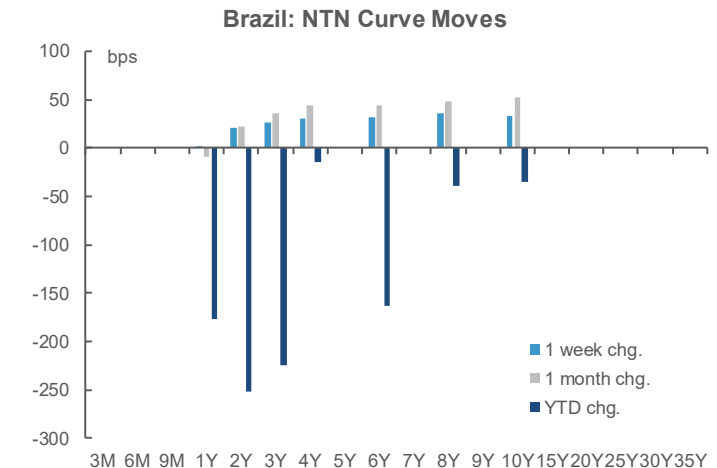
Sources: Scotiabank Economics, Bloomberg.

Chart 3



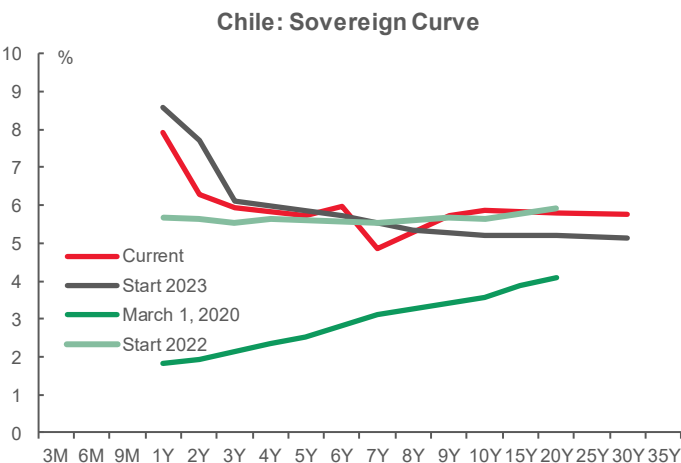
Sources: Scotiabank Economics, Bloomberg.

Chart 4



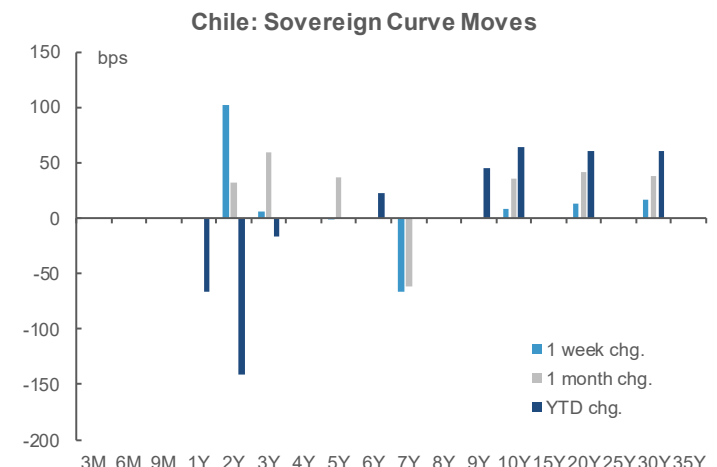
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

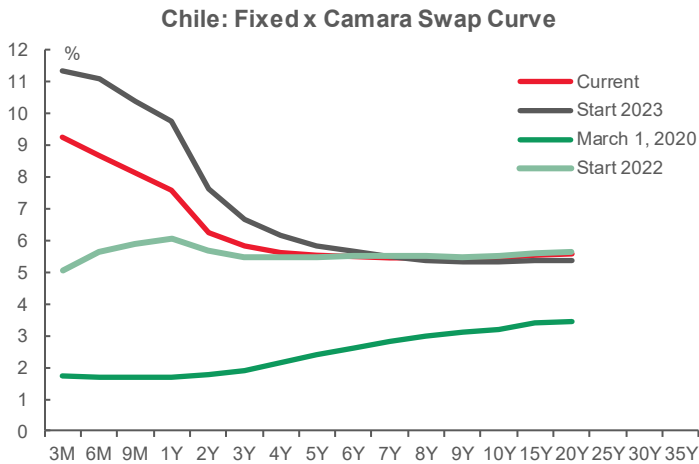
Chart 6



Sources: Scotiabank Economics, Bloomberg.

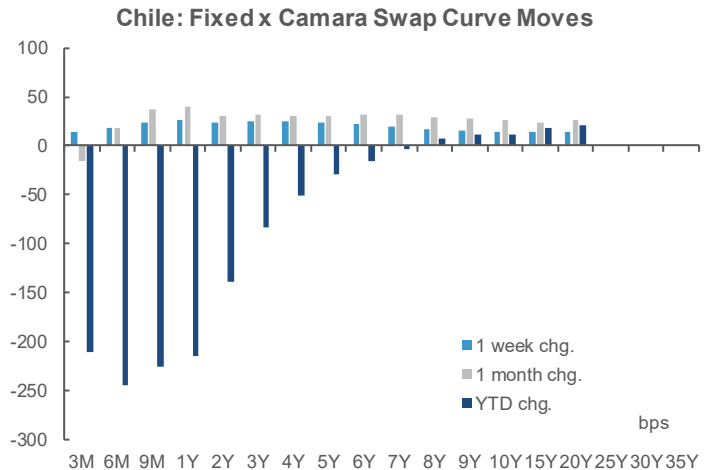
Yield Curves

Chart 7



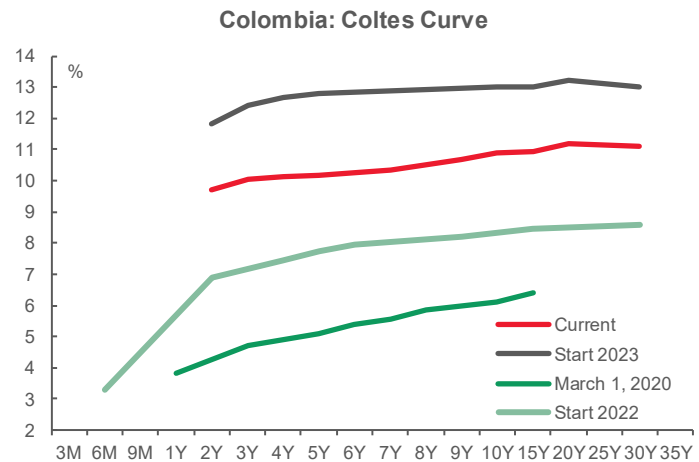
Sources: Scotiabank Economics, Bloomberg.

Chart 8



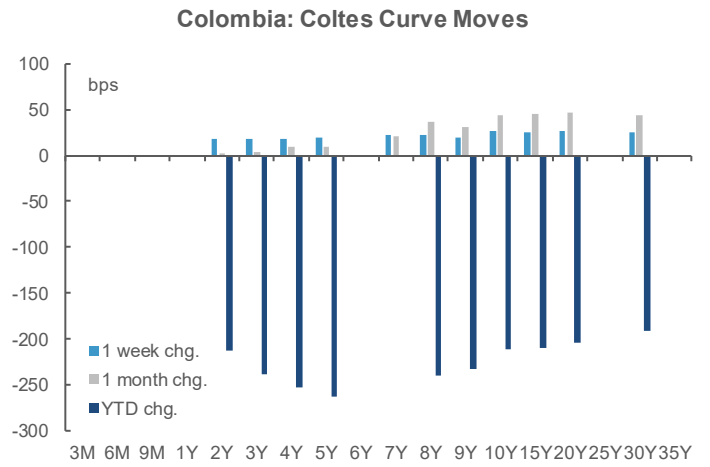
Sources: Scotiabank Economics, Bloomberg.

Chart 9



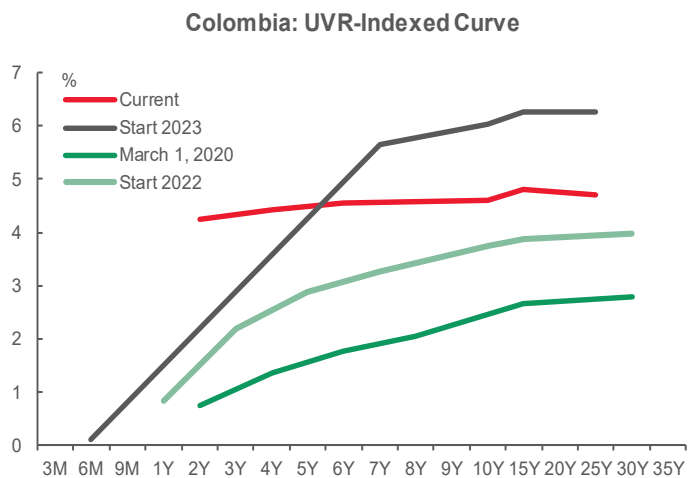
Sources: Scotiabank Economics, Bloomberg.

Chart 10



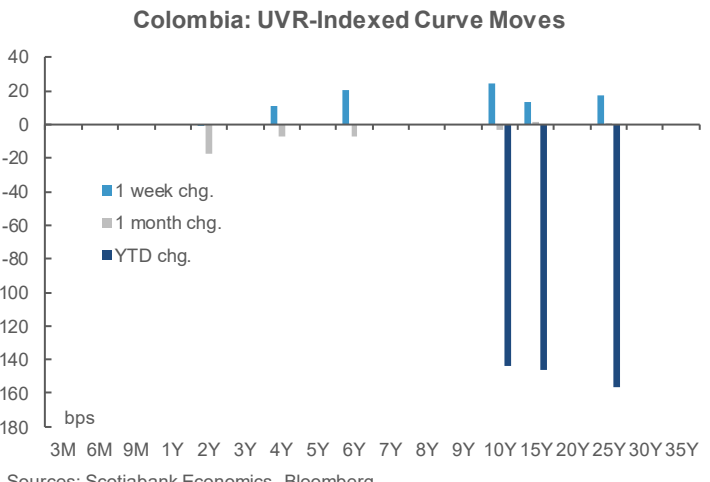
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

Chart 12

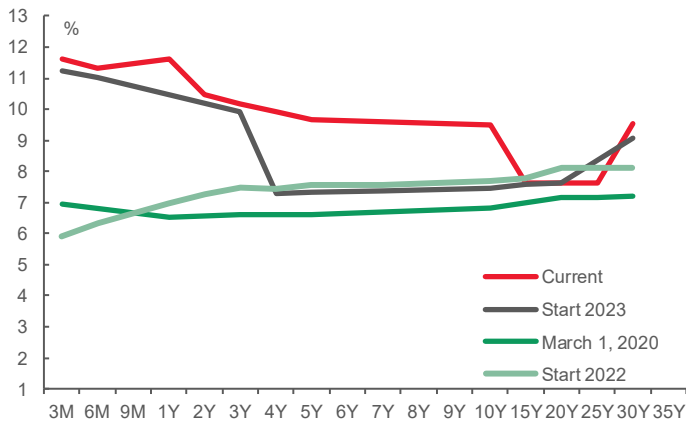


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 13

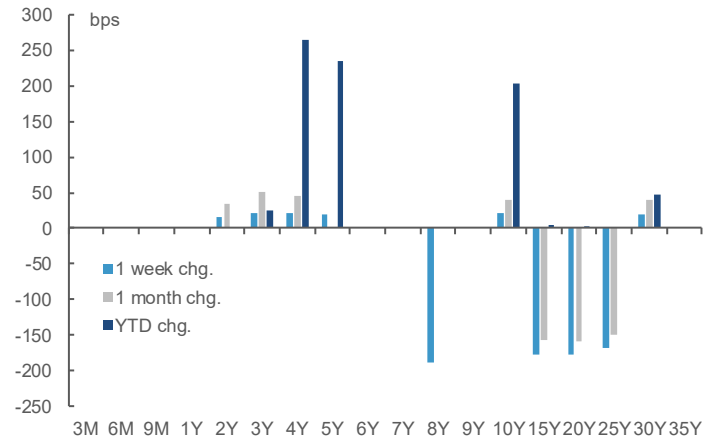
Mexico: M-Bono Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 14

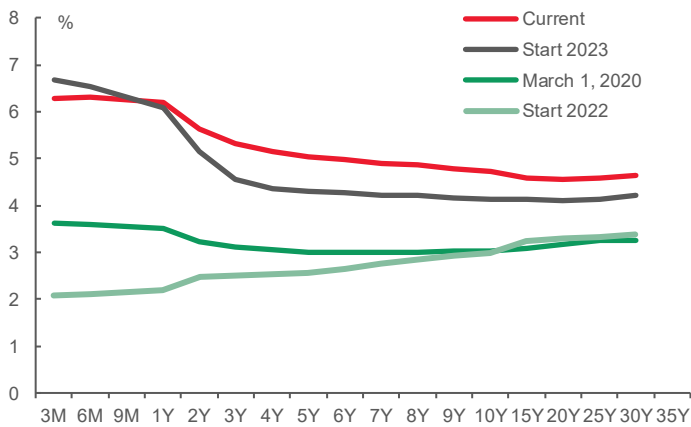
Mexico: M-Bono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 15

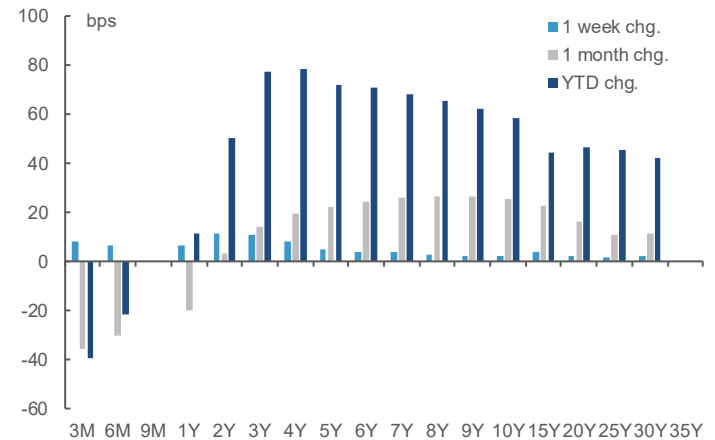
Mexico: Udibonos BVAL Yield Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 16

Mexico: Udibono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 17

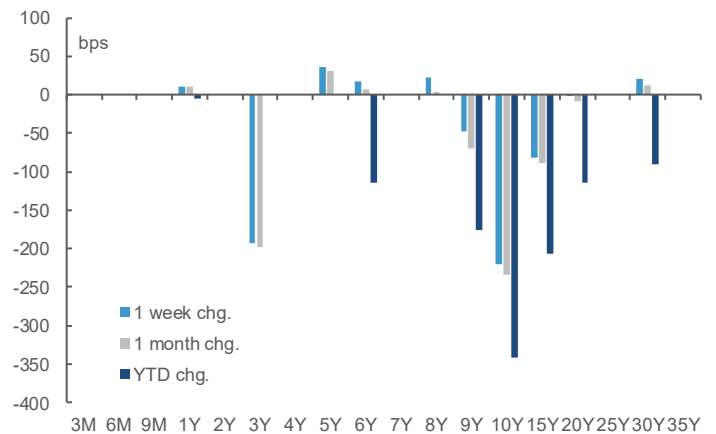
Peru: Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 18

Peru: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for September 9–22

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Sep-11	7:00 FGV CPI IPC-S (%)	08-Sep	--	--	-0.22
Sep-11	7:25 Central Bank Weekly Economist Survey		--	--	--
Sep-11	14:00 Trade Balance Weekly (USD mn)	10-Sep	--	--	2410.4
Sep-12	4:00 FIPE CPI - Weekly (%)	07-Sep	--	--	-0.48
Sep-12	8:00 IBGE Inflation IPCA m/m	Aug	--	0.29	0.12
Sep-12	8:00 IBGE Inflation IPCA y/y	Aug	--	4.67	3.99
Sep-14	8:00 IBGE Services Volume m/m SA	Jul	--	--	0.2
Sep-14	8:00 IBGE Services Volume y/y NSA	Jul	--	--	4.1
Sep-15	8:00 Retail Sales Broad m/m	Jul	--	--	1.2
Sep-15	8:00 Retail Sales Broad y/y	Jul	--	--	8.3
Sep-15	8:00 Retail Sales y/y	Jul	--	--	1.3
Sep-15	8:00 Retail Sales m/m	Jul	--	--	0
Sep-18	7:00 FGV Inflation IGP-10 m/m	Sep	--	--	-0.13
Sep-18	7:00 FGV CPI IPC-S (%)	15-Sep	--	--	-0.22
Sep-18	7:25 Central Bank Weekly Economist Survey		--	--	--
Sep-18	8:00 Economic Activity y/y	Jul	--	--	2.1
Sep-18	8:00 Economic Activity m/m	Jul	--	--	0.63
Sep-18	14:00 Trade Balance Weekly (USD mn)	17-Sep	--	--	2410.4
Sep-19	4:00 FIPE CPI - Weekly (%)	15-Sep	--	--	-0.48
Sep-20	17:30 Selic Rate (%)	20-Sep	--	--	13.25
Sep 20-25	Tax Collections (BRL mn)	Aug	--	--	201829

CHILE

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Sep-12	7:30 Central Bank Economist Survey		--	--	--
Sep-22	7:30 Central Bank Meeting Minutes		--	--	--
Sep-22	8:00 PPI m/m	Aug	--	--	1.5

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Sep-12	Consumer Confidence Index	Aug	--	--	-17.4
Sep-15	11:00 Manufacturing Production y/y	Jul	-5.0	--	-4.8
Sep-15	11:00 Industrial Production y/y	Jul	--	--	-2.15
Sep-15	11:00 Retail Sales y/y	Jul	-8.5	--	-11.9
Sep-15	Central Bank's Economists Survey		--	--	--
Sep-18	12:00 Economic Activity NSA y/y	Jul	1.3	--	1.7
Sep-19	11:00 Imports CIF Total (USD mn)	Jul	--	--	5015
Sep-19	11:00 Trade Balance (USD mn)	Jul	--	--	-766.1

MEXICO

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Sep-11	8:00 Manuf. Production NSA y/y	Jul	--	--	0.85
Sep-11	8:00 Industrial Production NSA y/y	Jul	--	--	3.66
Sep-11	8:00 Industrial Production SA m/m	Jul	--	--	0.59
Sep-11	ANTAD Same-Store Sales y/y	Aug	--	--	6.3
Sep 06-11	11-Sep Nominal Wages	Aug	--	--	8.93
Sep-12	11:00 International Reserves Weekly (USD mn)	08-Sep	--	--	204247
Sep-18	8:00 Aggregate Supply and Demand (%)	2Q	--	--	5.2
Sep-19	11:00 International Reserves Weekly (USD mn)	15-Sep	--	--	204247
Sep-20	Banamex Survey of Economists		--	--	--
Sep-21	8:00 Retail Sales y/y	Jul	--	--	5.9
Sep-21	8:00 Retail Sales m/m	Jul	--	--	2.3
Sep-22	8:00 Economic Activity IGAE m/m	Jul	--	--	0.48
Sep-22	8:00 Economic Activity IGAE y/y	Jul	--	--	-1.47
Sep-22	8:00 Bi-Weekly CPI (%)	15-Sep	--	0.22	0.26
Sep-22	8:00 Bi-Weekly Core CPI (%)	15-Sep	--	0.14	0.08
Sep-22	8:00 Bi-Weekly CPI y/y	15-Sep	--	4.57	4.6
Sep-22	8:00 Bi-Weekly Core CPI y/y	15-Sep	--	6.03	5.96

PERU

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
Sep-14	19:00 Reference Rate (%)	14-Sep	7.75	--	7.75 BCRP would keep its key rate for the eighth consecutive month, waiting for a more visible drop in inflation expectations.
Sep-15	11:00 Lima Unemployment Rate (%)	Aug	6.5	--	6.3 Increase in the unemployment rate due to seasonal reasons.
Sep-15	11:00 Economic Activity y/y	Jul	0.3	--	-0.6 Economy stuck due to the fishing sector affected by El Niño, as well as weak domestic demand, offset by mining output.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage

Local Market Coverage

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