

Contributors

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

THIS WEEK'S CONTRIBUTORS:

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Anthony Bambokian, Senior Economic Analyst
Scotiabank Economics
416.866.4211
anthony.bambokian@scotiabank.com

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

Table of Contents

Economic Overview	2-3
Pacific Alliance Country Updates	4-5
Forecast Updates	6-8
Key Economic Charts	9
Key Market Charts	10
Yield Curves	11-13
Market Events & Indicators	14-15

Latam Weekly: BCB Attends Global Central Banks Party; Latam Econ Activity Data

ECONOMIC OVERVIEW

- A dozen or so global central banks, including the BCB, the Fed, the BoE, and the BoJ, decide on policy next week, delivering a mix of hikes, holds, and cuts—and ever-important guidance.
- The BCB will likely cut by 50bps again, supported by a softening pace of economic growth and progress in inflation (including in services prices). The Fed looks set to hold at 5.50%, but Powell and co should leave the door open to further tightening.
- Colombian and Mexican monthly economic activity is also on tap, due to show a weak rate of growth in Colombia against another strong print in Mexico. Yet, both countries' central banks are not guiding that rate cuts will start soon. BanRep is battling sticky double-digit inflation alongside a clear slowdown, but Banxico is faced with constructive inflation trends (H1-Sep data out next week) but a highly-resilient economy.
- In today's weekly, the team in Mexico looks at the challenges that the government's projection for a smaller deficit in 2025 faces—from a massive expected increase in 2024. In Peru, our economists break down the difficulties that El Niño brings about for GDP and inflation forecasts—and, thus, monetary policy.

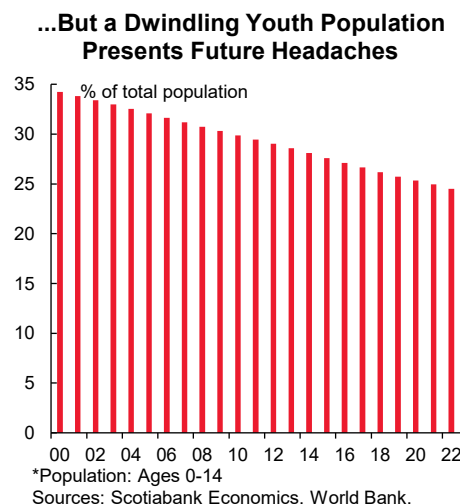
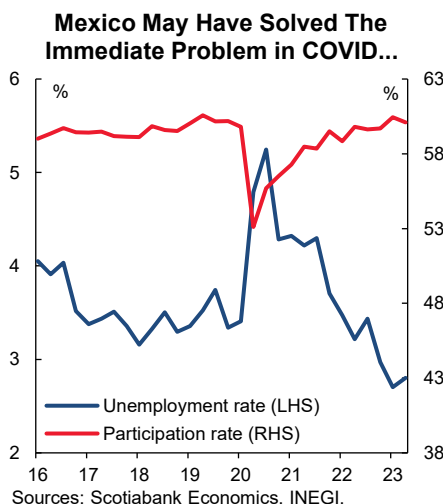
PACIFIC ALLIANCE COUNTRY UPDATES

- 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: Mexico and Peru.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period September 16–29 across the Pacific Alliance countries and Brazil.

Charts of the Week



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

Economic Overview: BCB Attends Global Central Banks Party; Latam Econ Activity Data

- **A dozen or so global central banks, including the BCB, the Fed, the BoE, and the BoJ, decide on policy next week, delivering a mix of hikes, holds, and cuts—and ever-important guidance.**
- **The BCB will likely cut by 50bps again, supported by a softening pace of economic growth and progress in inflation (including in services prices). The Fed looks set to hold at 5.50%, but Powell and co should leave the door open to further tightening.**
- **Colombian and Mexican monthly economic activity is also on tap, due to show a weak rate of growth in Colombia against another strong print in Mexico. Yet, both countries' central banks are not guiding that rate cuts will start soon. BanRep is battling sticky double-digit inflation alongside a clear slowdown, but Banxico is faced with constructive inflation trends (H1-Sep data out next week) but a highly-resilient economy.**
- **In today's weekly, the team in Mexico looks at the challenges that the government's projection for a smaller deficit in 2025 faces—from a massive expected increase in 2024. In Peru, our economists break down the difficulties that El Niño brings about for GDP and inflation forecasts—and, thus, monetary policy.**

We have a schedule full of global monetary policy decisions next week, with policymakers from a dozen or so noteworthy central banks delivering a mix of rate holds, hikes, and cuts. Among them, the BCB will likely cut 50bps for the second consecutive meeting, the Fed looks set to hold at 5.50%, and the BoE is expected to hike 25bps to 5.50%. Officials in Japan, Switzerland, Norway, Paraguay, Philippines, Indonesia, Turkey, and South Africa will also decide on policy from now until Friday.

On Tuesday, the day before the BCB's announcement, Brazilian economic activity figures for July are seen showing another moderate, but still acceptable, expansion of 2%+ y/y. Industry/sector level data released over the past few weeks showed a decline in industrial output (-1.1% y/y), strong services volumes growth (+3.5% y/y), and a decent gain in retail sales (+2.4% y/y) that would support this view of steady but slower growth.

A slowing economy and a slight miss in August inflation data released on the 12th (with encouraging details on the services side of the basket) give the BCB room to cut by half a point again as rate-setters have broadly guided is the currently appropriate pace. The inflation data did act to pull year-end BCB pricing a touch lower (~3bps), suggesting some speculation that at one of the remaining three meetings of 2023 we may see a 75bps reduction.

Colombian and Mexican statistics agencies will also publish July economic activity readings next week, on Monday and Friday, respectively. Our team in Colombia projects a soft 1.3% y/y expansion in July, reflecting economic weakness centred on demand for goods while nonfinancial services hold up a bit better—though the overall

CONTRIBUTORS

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

September 15, 2023

pace is far from stellar. BanRep is still facing double-digit inflation in headline and core, however, and some prices (like those of food) remain under pressure, so there is no appetite to cut yet despite the economic slowdown.

As for Mexico's IGAE, INEGI's early estimates of economic activity point to a slight deceleration for the month from 4.1% to the high 3's in data due Friday. That's not too much cause for worry considering this is still quite a high pace of growth, seemingly impervious to highly restrictive monetary policy—and the US economy keeps on trucking on. So, as far as Banxico is concerned, economic activity data are far from screaming 'cut', and we don't expect economists surveyed by Citibanamex to feel otherwise in results of the poll out on Wednesday. Retail sales data out the previous day will inform expectations for Friday's reading.

H1-Sep inflation is due for release at the same time as the IGAE. Bi-weekly core inflation finally fell below 6% y/y in the H2-Aug release, for the first time since late-2021, edging below the low-6's forecast that the median had pencilled in. On a sequential comparison, the 0.08% increase in core prices of H2-Aug was the smallest since a November 2021 decline (due to Mexico's 'Black Friday' sales) and one has to go back to late-2020 for the next smallest move. Overall, the trend in core inflation on a period-over-period basis is certainly a positive development for Banxico, but it cannot get comfortable considering the aforementioned economic strength. Next week's data should show a 5.7/8% y/y core reading, while headline inflation should remain around the mid-4s.

The fiscal backdrop is also a point of concern for Banxico as the government's recently published 2024 economic package foresees additional spending and support for households that would fuel a longer wait to reach the 2-4% inflation goal. In today's weekly, the team looks at the difficulties that the Mexican government will face in trying to rein in the wider deficit that they project for 2024 to slightly less than half of that in 2025, as they intend.

There's not a lot that catches the eye in Chile's and Peru's calendars next week. In fact, there's nothing of note in Peru next week, but in today's *Weekly*, our economists discuss the trouble that an uncertain El Nino has caused for forecasts of growth and inflation; agricultural weakness, in particular, shows up as GDP negative and prices positive. It's already tough to forecast economics, it's even tougher to forecast economics sensitive to weather, increasing the margin of error for projections and monetary policy decisions. The BCRP nevertheless thought it was appropriate to lower rates at its September decision (see [Latam Daily](#)). It's a short week in Chile, with markets closed on Monday and Tuesday for Independence holidays, and the only items worth watching will be August PPI and the BCCh's September meeting minutes (where a 75bps cut was rolled out) , both out on Friday morning.

Pacific Alliance Country Updates

Mexico—Reining in Deficit Could be A Tough Challenge After 2024

Eduardo Suárez, VP, Latin America Economics
 +52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

One of the most challenging elements we see in the Economic Package for 2024 is the dynamics of public sector borrowing requirements (the PSBR). The Economic Package envisions a sharp rise in borrowing requirements to 5.4% of GDP (as has been widely discussed, the widest deficit since 1988), and a drop to slightly less than half that amount by 2025 (at which time a new administration should be sitting in the National Palace).

The first challenge with that expected deficit reduction is that we don't know what the plan for the next administration will be, and even if the new government plans to restore fiscal discipline it will be a tall order to reduce the deficit this

much without an ambitious tax reform that would need to increase tax revenues by 2.5 percentage points of GDP.

One of the reasons why believe fiscal healing will likely require a solution on the tax revenues side is that the increase in spending is not a crisis response package where the government is giving one-off transfers to deal with a shock that subsequently expires (and the fiscal backdrop automatically stabilizes). It's also not a temporary increase in investment that expires when the projects end (as charts 1 and 2 show, planned physical investment is falling). Hence, the larger deficit will likely be very challenging to solve on the spending side.

In addition, if we think about this from a (G-I) perspective, a methodology for estimating long term fiscal sustainability by looking at the trajectory of debt service vs the trajectory of revenues, and estimating the necessary primary surplus necessary to stabilize debt, the world is becoming more challenging for fiscal adjusters. In particular, the growth rate of debt payments is determined by the weighted average of interest rates of public debt. Given that US Treasuries are likely to average about 200bps higher than they did in the 2010–2020 period, the "I" (the growth rate of debt payments), is likely to be at least that much higher for much of the rest of the world. This should also make the fiscal adjustment back to a sub-3% of GDP PSBR challenging.

Peru—El Niño Tantrums Are Wreaking Havoc on Forecasts and Expectations

Guillermo Arbe, Head Economist, Peru
 +51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

We're all bracing for it... the tantrums of a two-year El Niño event. Much of the impact of the severe weather has already been felt in 2023. El Niño was the main reason why growth was negative (-0.5% y/y) in Q2-2023. It is also beginning to weigh more heavily on domestic agricultural prices and, therefore, on inflation.

Although the return of Lima's characteristic winter drab gray skies and humid drizzle this week has finally interrupted the unseasonal sunny skies and warmth seen this winter, providing some hope of a weaker El Niño in 2024, the official forecasts do not seem to validate this, and continue to point to a moderate/strong second round El Niño in 2024.

As El Niño is a two-year event, much of the impact has already been felt. It is mainly because of El Niño that we recently lowered our GDP growth forecasts for 2023 from 1.4% to 0.5%. We are maintaining our GDP forecast at 2.3% for 2024, but note that this is off a much lower base and, thus, represents a lower real GDP level than we expected before. Perhaps the best way to view forecasts given that El Niño is a

Chart 1

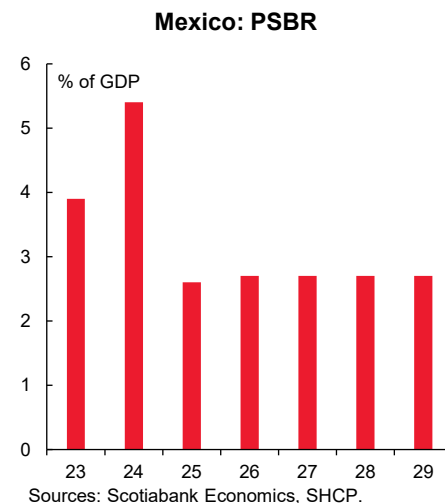
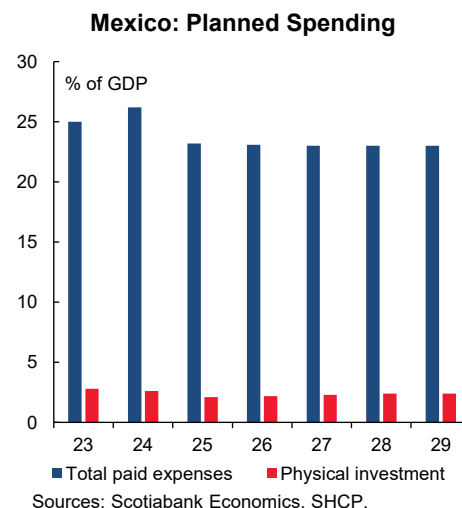


Chart 2



two-year event is to consider that, without El Niño the country might have been growing about 2.5% per annum, or just over 5.0% for the two year 2023–2024 period. Instead we expect the cumulative growth over the two years to be under 3.0%. Thus, El Niño would be reducing growth by at least two full percentage points over the two-year period.

El Niño, and severe weather in general, had a much greater impact on the economy, especially on agriculture and fishing, in Q2 than we had expected, and initial data suggest that this will be true for Q3 as well. At the time of this writing, the official figure for July GDP growth has not been released, but early partial data suggest a very weak number. The issue is that El Niño’s hand was once again evident in fishing, down 48%, and agriculture, which fell 0.7% y/y.

August GDP will be telling. Fishing GDP growth will actually be strong, but this will be nonconsequential, as 1. August is not a main fishing month (thus both weight and base comparisons are low) and 2. The only reason for strong fishing growth in August is that monitored fishing took place to test conditions for future reference.

Outside of fishing, there will be three sectors to keep a keen eye on, namely, agriculture, construction and industrial manufacturing. All three sectors fell strongly in the first half of 2023 (agriculture -4.6%; construction -9.0% and industrial manufacturing -7.7%).

We can get a bit of a preview of construction for July and August by looking at cement demand figures, which have already been released. The glass is more half empty than half full. Although cement sales have increased month-over-month since May, they are broadly still materially below 2022 and 2021 levels (chart 3). Thus, y/y growth figures are quite disappointing. We can only hope that the magnitude of the y/y decline will decrease after August, as there appears to be a bit of a revival in both residential and infrastructure construction.

The speed of decline for industrial manufacturing is not slowing, however, which registered very high negative growth rates in April to June. In the case of industrial manufacturing, it is not clear to what extent the sector is feeling an indirect impact from El Niño and to what extent something more structural is at play. We’re not very hopeful for the sector’s growth in July, but hopefully August will be more revealing as to whether we are nearing a point of inflection in the downtrend (chart 4).

Agriculture is the third key sector to monitor. Whereas negative construction and industrial manufacturing growth are indicative of low domestic demand and, therefore, are at least helpful in deterring inflation, negative agriculture growth is a supply restraint and harmful for inflation. Agriculture GDP growth has been negative for six consecutive months, from February to July (chart 5). The main factor is the weather and its impact on productivity. This could easily continue for the next three quarters, although starting in early 2024 growth will be assisted by a low base due to the impact of El Niño in 2023. But the same will not be true for production levels going forward, which will continue to be battered by a second-round El Niño event.

Agriculture production is key not only for what it means for GDP growth, but also for inflation and monetary policy. The BCRP is certainly wary of the impact of El Niño on inflation, and is likely to pace its reference rate decisions more carefully than otherwise. It is true that agriculture prices will impact headline inflation directly, but not core inflation, and that low domestic demand will provide pressure to the down on core inflation, but it is also apparent that the BCRP is more sensitive to inflation expectations than to core inflation. Inflation expectations tend to be aligned more with headline inflation than with core inflation. Thus, agricultural prices are likely to be a factor affecting monetary policy.

The bottom line is that the El Niño has degrees of uncertainty attached to it which increase the margin of error for growth, inflation and monetary policy.

Chart 3

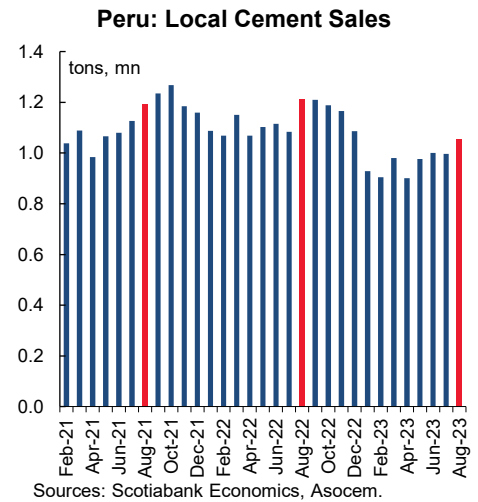


Chart 4

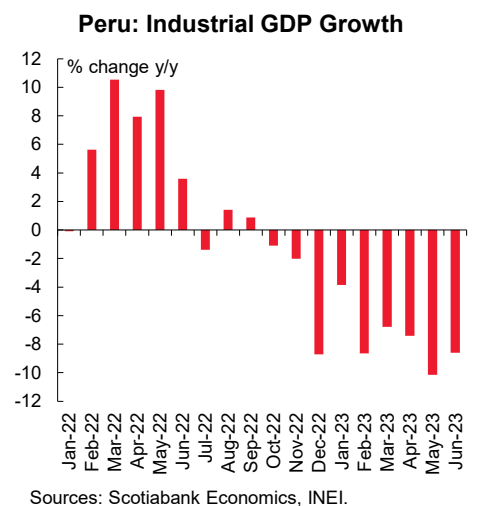
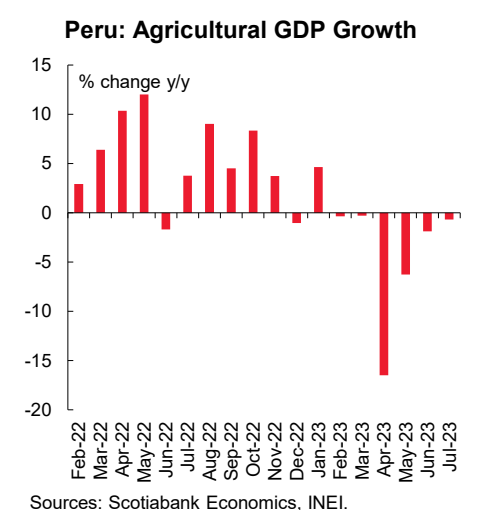


Chart 5



Forecast Updates

	2021		2022			2023				2024							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	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	3.4	1.8	1.8	1.0	1.2	1.7	2.0	5.0	2.9	2.5	1.5
CPI (y/y % eop)	10.1	11.3	11.9	7.2	5.8	4.7	3.2	5.3	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	4.97	4.98	4.93	4.79	4.80	5.58	5.28	4.97	4.80
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	9.0	8.5	8.4	8.5	8.4	8.0	9.1	7.9	8.7	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
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	11.1	9.1	6.1	5.7	4.6	4.3	5.6	13.1	9.1	4.3
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	12.75	11.25	9.25	7.75	6.75	3.00	12.00	12.75	6.75
Foreign exchange (USDCOP, eop)	4,080	3,771	4,155	4,609	4,853	4,623	4,172	4,050	4,250	4,249	4,278	4,302	4,316	4,080	4,853	4,250	4,316
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
Peru																	
Real GDP (y/y % change)	3.3	3.9	3.4	2.0	1.7	-0.4	-0.5	1.2	1.7	2.1	3.1	1.6	2.4	13.4	2.7	0.5	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	7.50	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
Canada																	
Real GDP (y/y % change)	3.9	3.2	4.7	3.8	2.1	2.1	1.1	0.7	1.0	0.4	0.6	0.8	1.2	5.0	3.4	1.2	0.7
CPI (y/y % eop)	4.7	5.8	7.5	7.2	6.7	5.1	3.5	3.6	3.1	3.1	2.8	2.1	2.2	4.7	6.7	3.1	2.2
Unemployment rate (% avg)	6.3	5.7	5.1	5.1	5.1	5.0	5.2	5.5	5.7	5.9	6.0	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	5.00	5.00	5.00	4.75	4.25	3.75	0.25	4.25	5.00	3.75
Foreign exchange (USDCAD, eop)	1.26	1.25	1.29	1.38	1.36	1.35	1.32	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	1.8	2.5	2.4	1.8	1.3	0.7	0.1	0.5	5.9	2.1	2.1	0.6
CPI (y/y % eop)	6.8	8.0	8.6	8.3	7.1	5.8	4.1	3.7	3.7	3.4	3.1	2.7	2.5	6.8	7.1	3.7	2.5
Unemployment rate (% avg)	4.2	3.8	3.6	3.6	3.6	3.5	3.6	3.7	3.9	4.0	4.1	4.2	4.3	5.4	3.6	3.7	4.1
Central bank policy rate (% eop)	0.25	0.50	1.75	3.25	4.50	5.00	5.25	5.50	5.50	5.50	5.25	4.75	4.00	0.25	4.50	5.50	4.00
Foreign exchange (EURUSD, eop)	1.14	1.11	1.05	0.98	1.07	1.08	1.09	1.12	1.12	1.15	1.15	1.18	1.18	1.14	1.07	1.12	1.18

Sources: Scotiabank Economics, Bloomberg, Haver Analytics, Focus Economics.
 Red indicates changes in estimates and forecasts since previous *Latam Weekly* on September 8, 2023.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2021		2022			2023				2024							
	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2021	2022	2023f	2024f
Brazil																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	0.1	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-0.1	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	-	0.02	0.03	0.02	0.02	0.01	-	-	0.02	0.01
Chile																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-0.4	-	-	-	-	-	-	-	-0.1	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCLP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Colombia																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	0.7	0.5	0.7	0.8	0.1	0.1	-	-	0.5	0.1
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	0.50	1.00	1.00	1.00	1.00	-	-	0.50	1.00
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-175	-	-	-	-	-	-	-	-	-
Mexico																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Peru																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-1.9	-1.4	-1.2	-0.1	0.4	0.7	-	-	-0.9	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-0.25	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Canada																	
Real GDP (y/y % change)	-	-	-	-	-	-0.1	-0.6	-0.7	-0.5	-0.2	-	-0.1	-0.4	-	-	-0.5	-0.2
CPI (y/y %, eop)	-	-	-	-	-	-	-	0.5	0.1	0.3	0.4	-0.2	0.1	-	-	0.1	0.1
Unemployment rate (% avg)	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCAD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
United States																	
Real GDP (y/y % change)	-	-	-	-	-	-	-0.1	1.0	1.1	0.9	0.6	-0.4	-0.5	-	-	0.5	0.1
CPI (y/y %, eop)	-	-	-	-	-	-	-	0.1	0.1	0.2	0.3	-	-	-	-	0.1	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-0.1	-0.1	-0.1	-0.2	-0.2	-0.2	-	-	-	-0.2
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (EURUSD, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sources: Scotiabank Economics, Bloomberg, Haver Analytics, Focus Economics.
Changes in estimates and forecasts since previous *Latam Weekly* on September 8, 2023.

Forecast Updates: Central Bank Policy Rates and Outlook

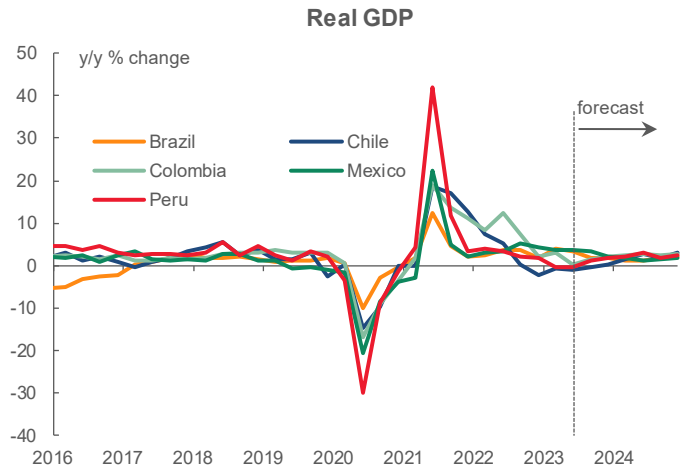
Latam Central Banks: Policy Rates and Outlook

	Current	Next Scheduled Meeting			Market Pricing		BNS Forecast		BNS guidance for next monetary policy meeting
		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%	Inflation was higher than expected, while economic activity grew at its slowest pace since 2021. BanRep's main focus is on inflation, and although the market is speculating on rate cuts in September-October, we discount this possibility. In fact, our official call for a rate cut starts in December due to the slower pace of inflation deceleration. Recent CPI data have put an important bias in favor of a later start of the BanRep easing cycle.
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	7.50%	Oct-05	n.a.	7.50%	n.a.	n.a.	7.00%	5.00%	The interest rate-cutting cycle has begun. In its statement, the BCRP specified that the rate cut "would not necessarily imply a cycle of successive reductions in the interest rate." This strategy sounds reasonable, mainly given the strong El Niño scenario ahead. We expect two more cuts in the next three BCRP policy rate meetings.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

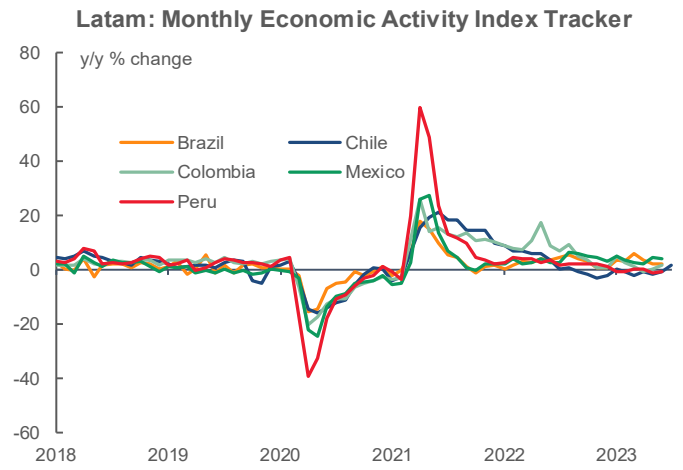
Key Economic Charts

Chart 1



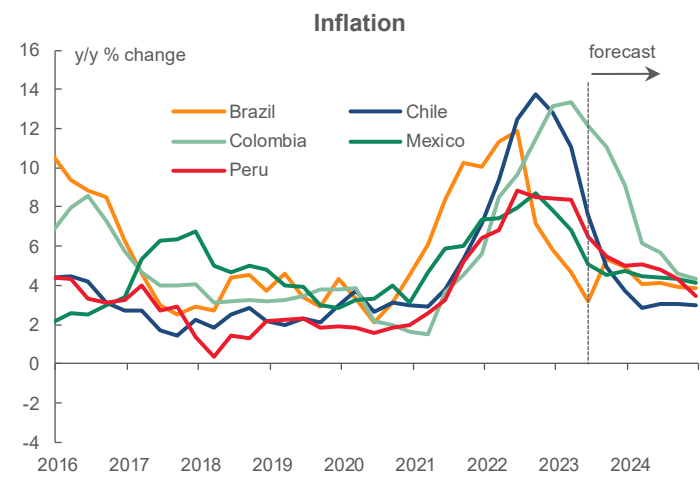
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



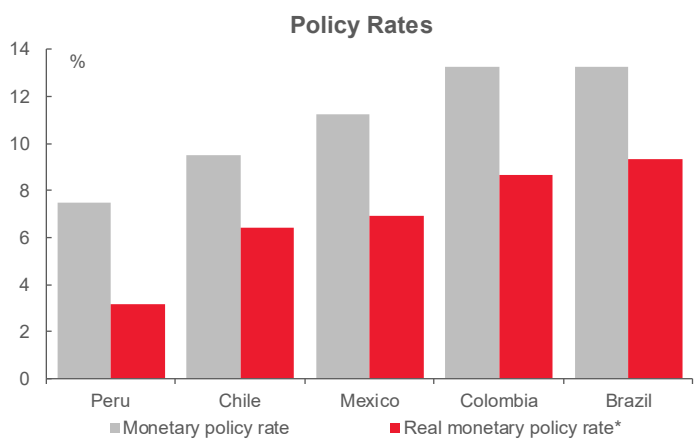
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

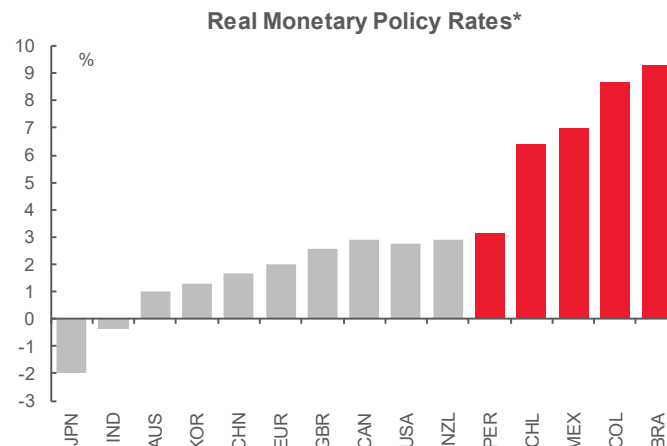
Chart 4



* 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

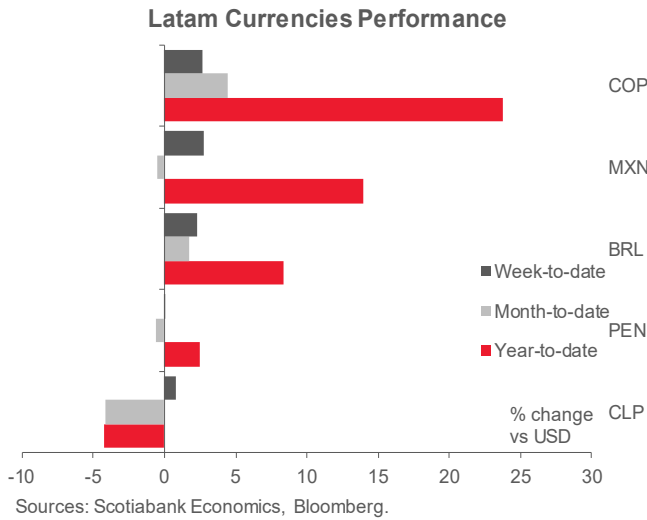


Chart 2

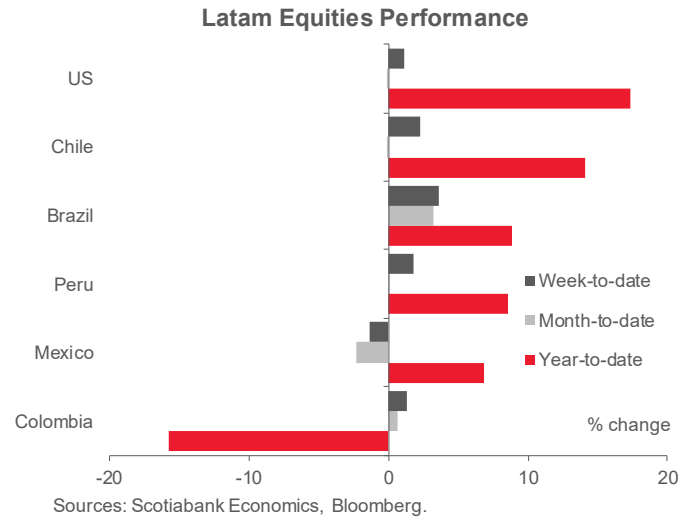


Chart 3

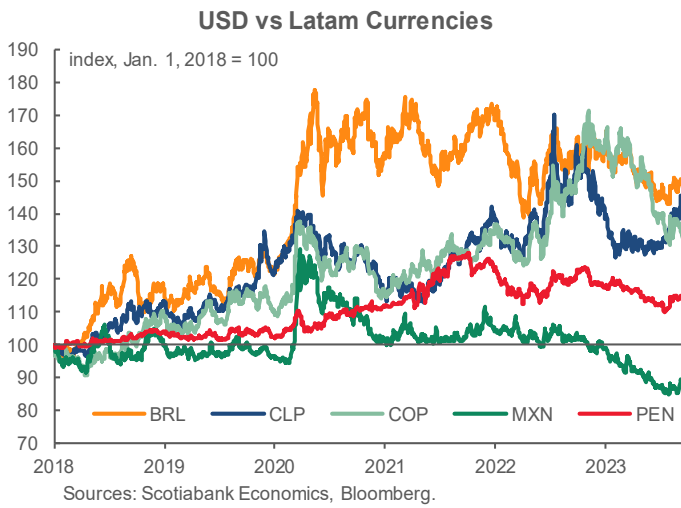
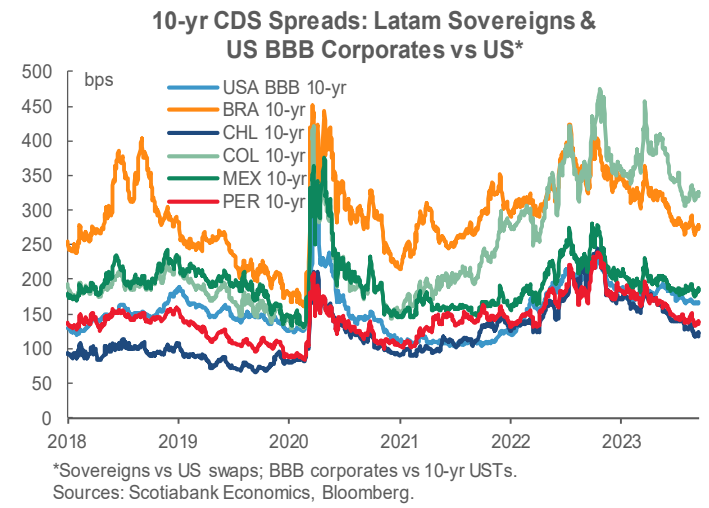
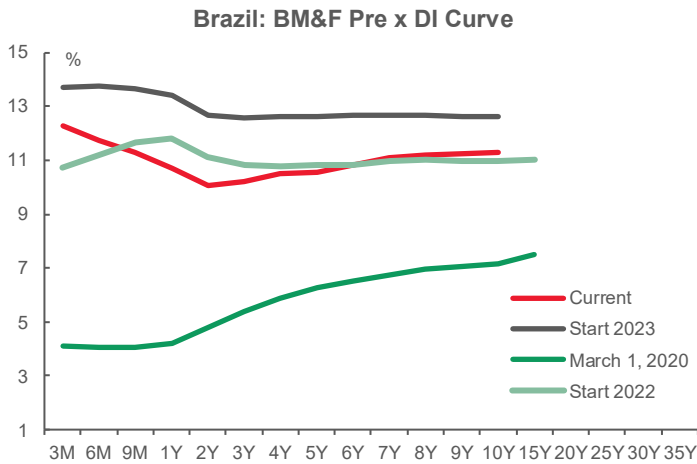


Chart 4



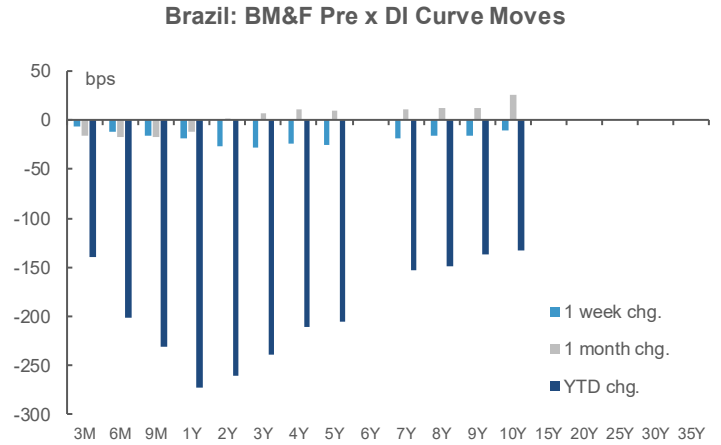
Yield Curves

Chart 1



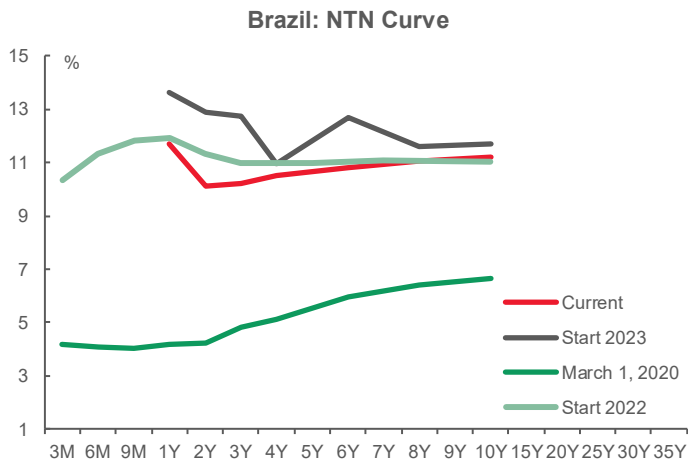
Sources: Scotiabank Economics, Bloomberg.

Chart 2



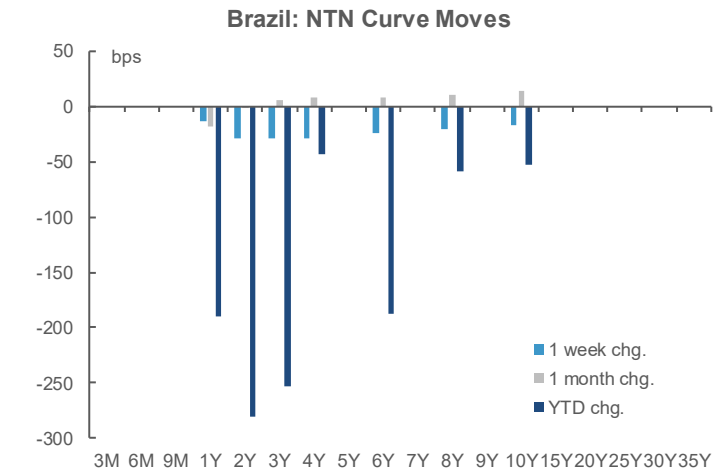
Sources: Scotiabank Economics, Bloomberg.

Chart 3



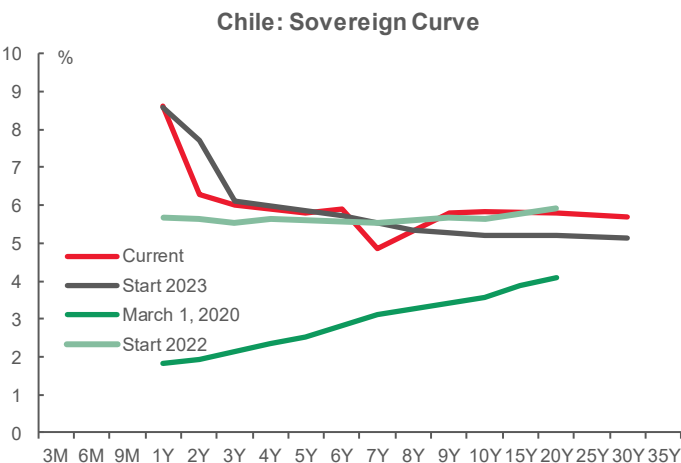
Sources: Scotiabank Economics, Bloomberg.

Chart 4



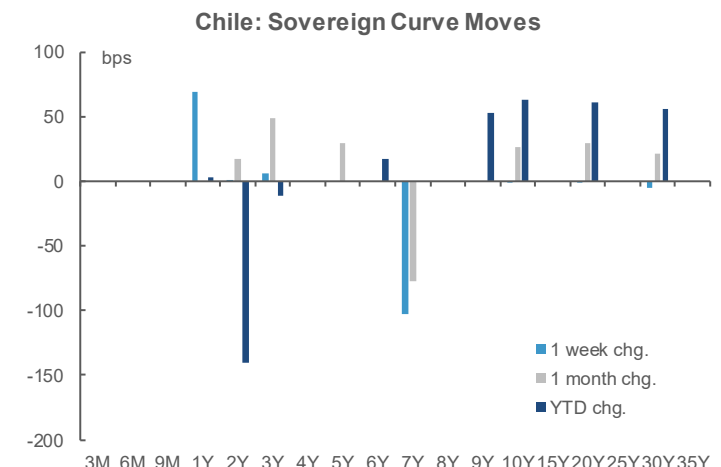
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

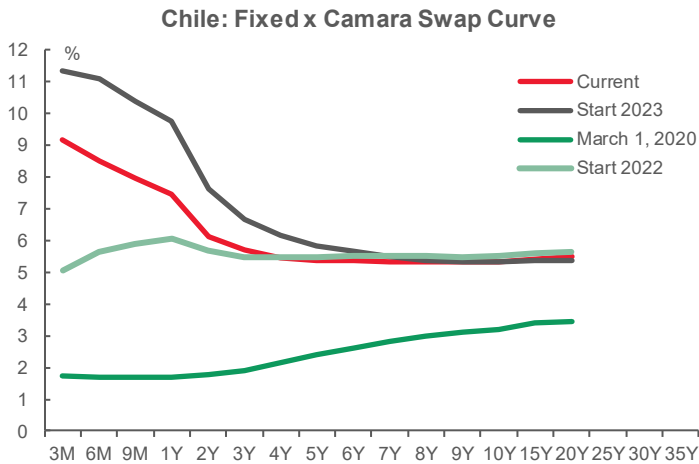
Chart 6



Sources: Scotiabank Economics, Bloomberg.

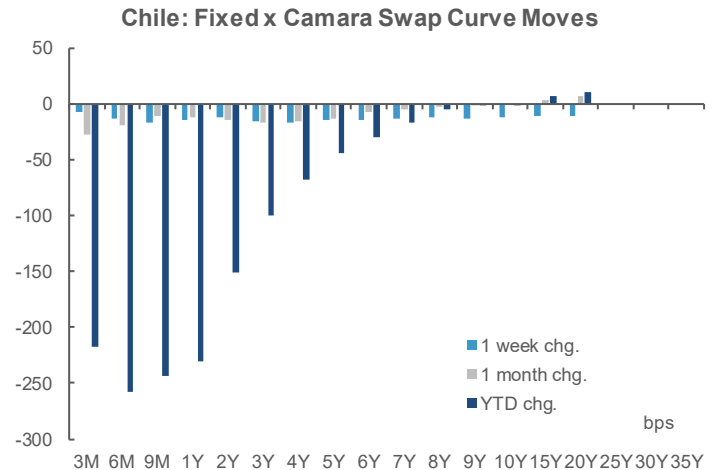
Yield Curves

Chart 7



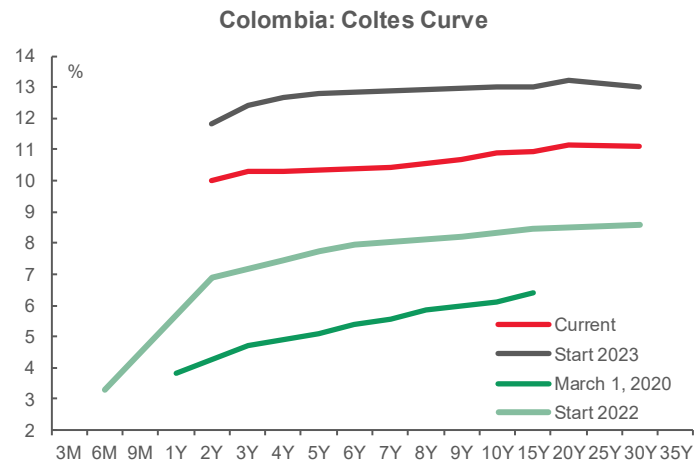
Sources: Scotiabank Economics, Bloomberg.

Chart 8



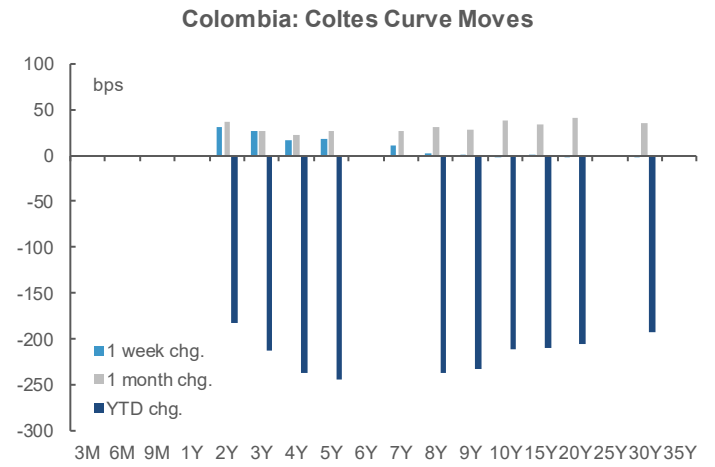
Sources: Scotiabank Economics, Bloomberg.

Chart 9



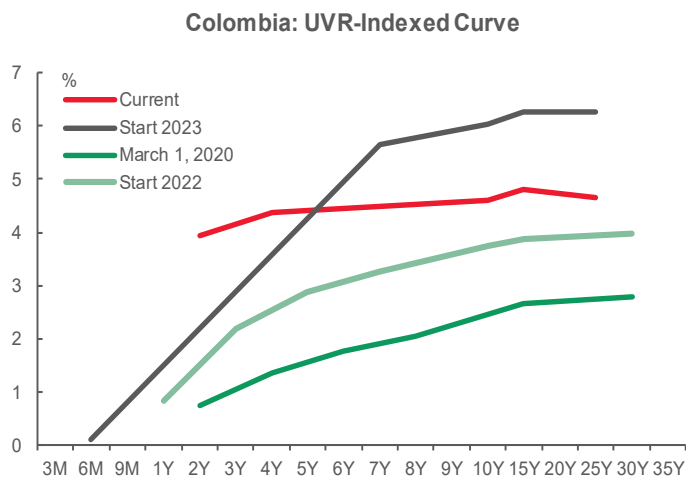
Sources: Scotiabank Economics, Bloomberg.

Chart 10



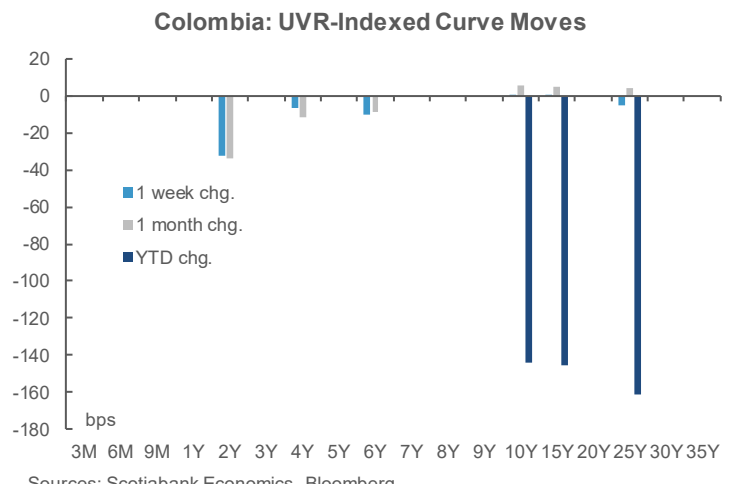
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

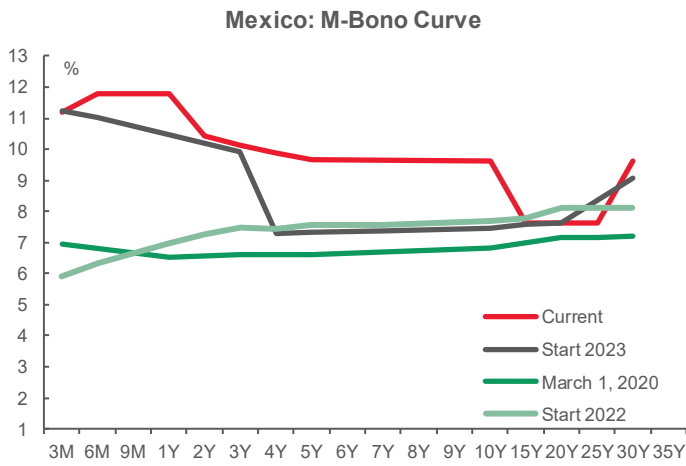
Chart 12



Sources: Scotiabank Economics, Bloomberg.

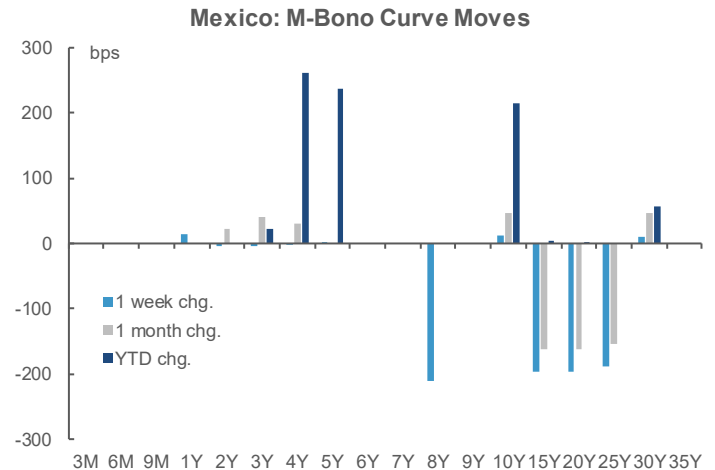
Yield Curves

Chart 13



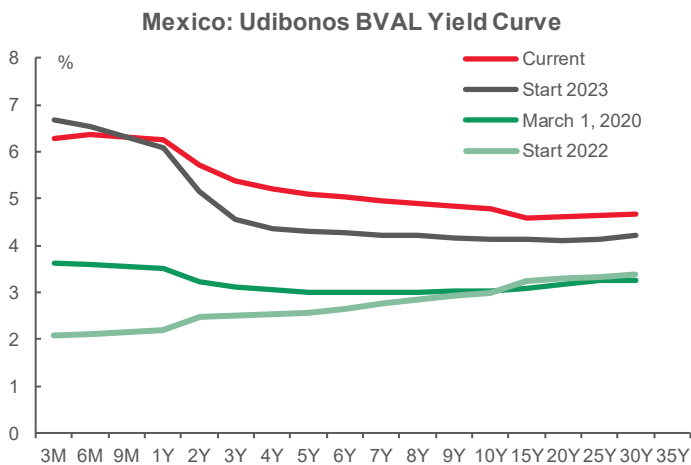
Sources: Scotiabank Economics, Bloomberg.

Chart 14



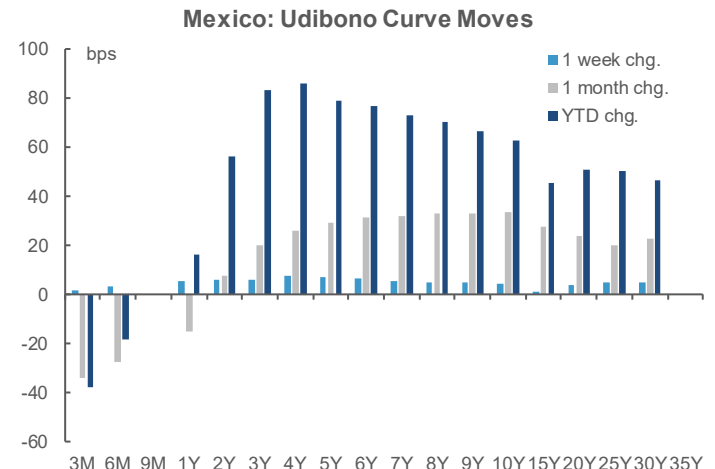
Sources: Scotiabank Economics, Bloomberg.

Chart 15



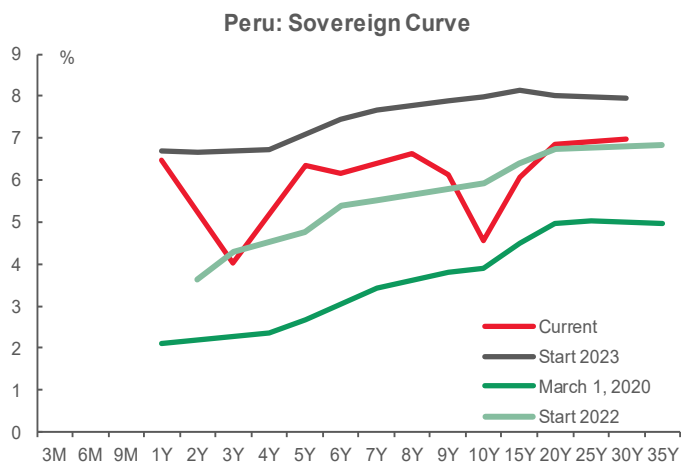
Sources: Scotiabank Economics, Bloomberg.

Chart 16



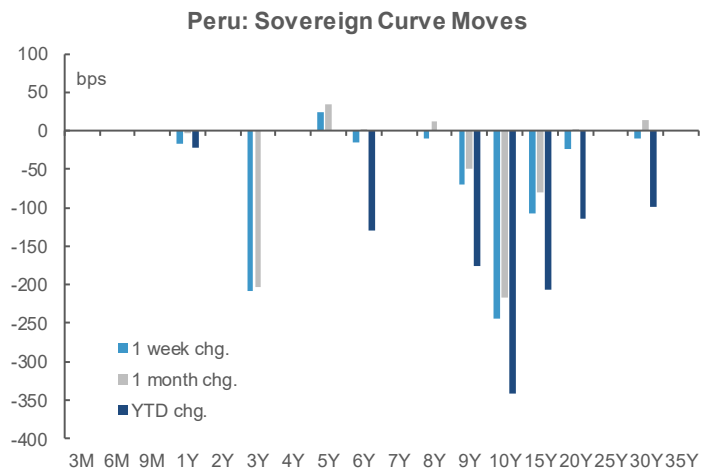
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for September 16–29

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
2023-09-18	7:00 FGV Inflation IGP-10 m/m	Sep	--	--	-0.13
2023-09-18	7:00 FGV CPI IPC-S (%)	15-Sep	--	--	-0.02
2023-09-18	7:25 Central Bank Weekly Economist Survey		--	--	
2023-09-18	8:00 Economic Activity y/y	Jul	--	--	2.1
2023-09-18	8:00 Economic Activity m/m	Jul	--	--	0.63
2023-09-18	14:00 Trade Balance Weekly (USD mn)	17-Sep	--	--	2812
2023-09-19	4:00 FIPE CPI - Weekly (%)	15-Sep	--	--	0.06
2023-09-20	17:30 Selic Rate (%)	20-Sep	12.75	12.75	13.25
2023-09-25	7:00 FGV Consumer Confidence	Sep	--	--	96.8
2023-09-25	7:25 Central Bank Weekly Economist Survey		--	--	
2023-09-25	7:30 Current Account Balance (USD mn)	Aug	--	--	-3605.5
2023-09-25	7:30 Foreign Direct Investment (USD mn)	Aug	--	--	4244.2
2023-09-25	14:00 Trade Balance Weekly (USD mn)	24-Sep	--	--	2812
Sep 20-25	Tax Collections (BRL mn)	Aug	--	--	201829
2023-09-26	4:00 FIPE CPI - Weekly (%)	22-Sep	--	--	0.06
2023-09-26	7:00 FGV Construction Costs m/m	Sep	--	--	0.24
2023-09-26	7:30 Central Bank Meeting Minutes		--	--	
2023-09-26	8:00 IBGE Inflation IPCA-15 y/y	Sep	--	--	4.24
2023-09-26	8:00 IBGE Inflation IPCA-15 m/m	Sep	--	--	0.28
2023-09-27	7:30 Total Outstanding Loans (BRL bn)	Aug	--	--	5405
2023-09-27	7:30 Outstanding Loans m/m	Aug	--	--	-0.2
2023-09-27	7:30 Personal Loan Default Rate (%)	Aug	--	--	6.21
2023-09-27	13:30 Federal Debt Total (BRL bn)	Aug	--	--	6142
2023-09-28	7:00 Central Bank Quarterly Inflation Report		--	--	
2023-09-28	7:00 FGV Inflation IGPm y/y	Sep	--	--	-7.2
2023-09-28	7:00 FGV Inflation IGPm m/m	Sep	--	--	-0.14
2023-09-28	13:30 Central Govt Budget Balance (BRL bn)	Aug	--	--	-35.933
2023-09-28	Formal Job Creation Total	Aug	--	--	142702
2023-09-29	7:30 Nominal Budget Balance (BRL bn)	Aug	--	--	-81.914
2023-09-29	7:30 Primary Budget Balance (BRL bn)	Aug	--	--	-35.809
2023-09-29	7:30 Net Debt % GDP	Aug	--	--	59.63
2023-09-29	8:00 National Unemployment Rate (%)	Aug	--	--	7.9

CHILE

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
2023-09-22	7:30 Central Bank Meeting Minutes		--	--	
2023-09-22	8:00 PPI m/m	Aug	--	--	1.5
2023-09-26	7:30 Central Bank Traders Survey		--	--	
2023-09-29	8:00 Manufacturing Production y/y	Aug	--	--	-3.92
2023-09-29	8:00 Industrial Production y/y	Aug	--	--	-1.66
2023-09-29	8:00 Unemployment Rate (%)	Aug	8.9	--	8.8
2023-09-29	8:00 Copper Production Total (Metric tonne)	Aug	--	--	434089
2023-09-29	8:00 Commercial Activity y/y	Aug	--	--	-4.49
2023-09-29	8:00 Retail Sales y/y	Aug	-9.5	--	-10.1

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
2023-09-18	12:00 Economic Activity NSA y/y	Jul	1.3	1.4	1.7
2023-09-19	11:00 Imports CIF Total (USD mn)	Jul	--	--	5015
2023-09-19	11:00 Trade Balance (USD mn)	Jul	--	--	-766.1
2023-09-25	Industrial Confidence	Aug	--	--	-0.2
2023-09-25	Retail Confidence	Aug	--	--	21.7
2023-09-29	11:00 Urban Unemployment Rate (%)	Aug	9.9	--	9.8
2023-09-29	11:00 National Unemployment Rate (%)	Aug	9.7	--	9.6
2023-09-29	14:00 Overnight Lending Rate (%)	29-Sep	13.25	--	13.25

Inflation was higher than expected, while economic activity grew at its slowest pace since 2021. BanRep's main focus is on inflation and although the market is speculating on rate cuts in September-October, we discount this possibility. In fact, our official call for a rate cut starts in December, due to the slower pace of inflation deceleration. Recent CPI data has put an important bias in favour of a later start of the BanRep easing cycle.

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

Market Events & Indicators for September 16–29

MEXICO

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
2023-09-18	8:00 Aggregate Supply and Demand (%)	2Q	--	--	5.2
2023-09-19	11:00 International Reserves Weekly (USD mn)	15-Sep	--	--	203920
2023-09-20	Banamex Survey of Economists		--	--	
2023-09-21	8:00 Retail Sales y/y	Jul	--	--	5.9
2023-09-21	8:00 Retail Sales m/m	Jul	--	--	2.3
2023-09-22	8:00 Economic Activity IGAE m/m	Jul	--	--	0.48
2023-09-22	8:00 Economic Activity IGAE y/y	Jul	--	--	4.11
2023-09-22	8:00 Bi-Weekly CPI (%)	15-Sep	--	--	0.26
2023-09-22	8:00 Bi-Weekly Core CPI (%)	15-Sep	--	--	0.08
2023-09-22	8:00 Bi-Weekly CPI y/y	15-Sep	--	--	4.6
2023-09-22	8:00 Bi-Weekly Core CPI y/y	15-Sep	--	--	5.96
2023-09-26	11:00 International Reserves Weekly (USD mn)	22-Sep	--	--	203920
2023-09-27	8:00 Imports (USD mn)	Aug	--	--	48432
2023-09-27	8:00 Exports (USD mn)	Aug	--	--	47550
2023-09-27	8:00 Trade Balance (USD mn)	Aug	--	--	-881.2
2023-09-28	8:00 Unemployment Rate NSA (%)	Aug	--	--	3.13
2023-09-28	15:00 Overnight Rate (%)	28-Sep	11.25	--	11.25
2023-09-29	11:00 Net Outstanding Loans (MXN bn)	Aug	--	--	5726.5
2023-09-29	Mexican Public Balance (MXN mn)	Aug	--	--	-489.3

PERU

Date	Time Event	Period	BNS	Consensus	Latest BNS Comments
No Scheduled Events & Indicators					

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

Scotiabank Economics Latam Coverage

Local Market Coverage

CHILE

Website:	Click here to be redirected
Subscribe:	anibal.alarcon@scotiabank.cl
Coverage:	Spanish and English

COLOMBIA

Website:	Click here to be redirected
Subscribe:	jackeline.pirajan@scotiabankcolpatria.com
Coverage:	Spanish and English

MEXICO

Website:	Click here to be redirected
Subscribe:	estudeco@scotiab.com.mx
Coverage:	Spanish

PERU

Website:	Click here to be redirected
Subscribe:	siee@scotiabank.com.pe
Coverage:	Spanish

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including: Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia's regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.