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## Latam Weekly: Nothing to Fear but Fear Itself

### FORECAST UPDATES

- Two quarters of negative growth in the US on top of another 75 bps interest rate hike by the Fed and an earlier rate increase by the ECB represent big changes to external inputs for local forecasts. See the latest revisions that Scotiabank's teams in the region have made to their projections in the forecast tables below.

### ECONOMIC OVERVIEW

- Fears of global recession are on the rise following release of US GDP numbers showing two quarters of negative growth and the second successive 75 bps hike by the Fed.
- There is little indication of recession in the Latam region, however, where, if anything, growth has surprised on the upside. Growth is coming down from post-pandemic rebound highs, but that reflects a transition to more sustainable medium-term rates.
- In contrast, Argentina appears to be in the throes of another bout of severe financial instability. Expected inflation is shooting higher, widening the gap between official and black-market exchange rates.
- Yet, apart from its immediate neighbours, instability in Argentina likely does not pose a serious contagion risk to the rest of the region. This is because sound policy frameworks and strong institutions provide resilience to external shocks.

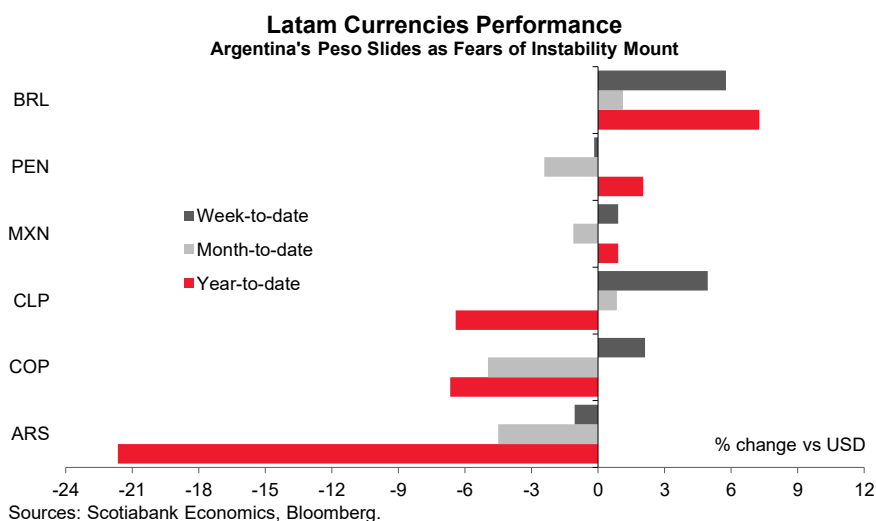
### PACIFIC ALLIANCE COUNTRY UPDATES

- 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 July 30–August 12 across the Pacific Alliance countries, plus their regional neighbours Argentina and Brazil.

### Chart of the Week



Forecast Updates

	2020		2021			2022				2023				2020	2021	2022f	2023f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2e	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2020	2021	2022f	2023f
<b>Argentina</b>																	
Real GDP (y/y % change)	-4.4	3.1	18.1	11.8	8.9	6.0	5.3	1.6	0.2	0.6	1.3	1.9	2.3	-9.9	10.4	2.8	1.5
CPI (y/y % eop)	36.1	42.6	50.2	52.5	50.9	55.1	64.0	63.9	70.3	67.5	67.0	54.8	70.0	36.1	50.9	70.3	70.0
Unemployment rate (% avg)	11.0	10.2	9.6	8.2	7.0	7.0	8.6	8.7	8.1	9.5	9.3	8.7	8.7	11.6	8.8	8.1	9.1
Central bank policy rate (% eop)	38.00	38.00	38.00	38.00	38.00	44.50	52.00	53.00	53.50	51.50	49.50	49.00	48.00	38.00	38.00	53.50	48.00
Foreign exchange (USDARS, eop)	84.15	91.99	95.72	98.74	102.74	111.01	125.22	140.00	155.00	172.00	190.00	220.00	250.00	84.15	102.74	155.00	250.00
<b>Brazil</b>																	
Real GDP (y/y % change)	-0.9	1.3	12.3	4.0	1.6	1.7	-0.1	1.3	1.6	2.2	2.4	2.7	2.5	-3.9	4.6	1.0	2.5
CPI (y/y % eop)	4.5	6.1	8.3	10.2	10.1	11.3	11.9	9.2	8.1	6.3	5.0	4.4	3.4	4.5	10.1	8.1	3.4
Unemployment rate (% avg)	14.2	14.9	14.2	12.6	11.1	11.1	11.1	11.0	10.8	10.8	10.7	10.6	10.3	14.2	11.1	11.1	10.6
Central bank policy rate (% eop)	2.00	2.75	4.25	6.25	9.25	11.75	13.25	14.00	14.00	13.50	12.50	11.50	10.50	2.00	9.25	14.00	10.50
Foreign exchange (USDBRL, eop)	5.20	5.63	4.97	5.44	5.58	4.74	5.26	5.05	4.90	4.70	4.63	4.67	4.69	5.20	5.58	4.90	4.69
<b>Chile</b>																	
Real GDP (y/y % change)	0.4	0.0	18.9	17.2	12.0	7.2	5.5	-0.3	-2.9	-0.3	-2.1	-1.0	-0.3	-6.0	11.7	2.1	-0.9
CPI (y/y % eop)	3.0	2.9	3.8	5.3	7.2	9.4	12.5	13.3	11.8	9.9	6.7	4.3	3.7	3.0	7.2	11.8	3.7
Unemployment rate (% avg)	10.3	10.4	9.5	8.4	7.2	7.8	7.8	8.6	8.0	8.5	8.9	8.9	8.3	10.6	9.1	8.1	8.7
Central bank policy rate (% eop)	0.50	0.50	0.50	1.50	4.00	7.00	9.00	10.50	11.00	9.00	7.00	5.00	3.50	0.50	4.00	11.00	3.50
Foreign exchange (USDCLP, eop)	712	719	734	810	852	786	918	900	870	850	830	820	800	712	852	870	800
<b>Colombia</b>																	
Real GDP (y/y % change)	-3.6	0.9	18.3	13.7	10.8	8.5	11.7	4.3	2.1	3.6	3.0	2.6	2.5	-7.0	10.7	6.6	2.9
CPI (y/y % eop)	1.6	1.5	3.6	4.5	5.6	8.5	9.7	10.0	9.7	7.2	5.6	4.9	4.6	1.6	5.6	9.7	4.6
Unemployment rate (% avg)	13.8	16.0	15.1	12.7	11.5	13.2	9.6	10.7	10.9	11.2	9.8	10.8	10.8	16.1	13.8	10.8	10.7
Central bank policy rate (% eop)	1.75	1.75	1.75	2.00	3.00	5.00	7.50	9.00	9.00	9.00	9.00	8.00	7.00	1.75	3.00	9.00	7.00
Foreign exchange (USDCOP, eop)	3,430	3,704	3,752	3,808	4,080	3,771	4,155	3,957	3,960	3,887	3,835	3,884	3,951	3,430	4,080	3,960	3,951
<b>Mexico</b>																	
Real GDP (y/y % change)	-4.3	-3.8	19.9	4.5	1.1	1.8	1.5	1.6	2.1	1.6	1.6	1.4	1.4	-8.1	4.8	1.7	1.5
CPI (y/y % eop)	3.2	4.7	5.9	6.0	7.4	7.5	8.0	8.0	7.6	6.4	5.5	5.1	4.8	3.2	7.4	7.6	4.8
Unemployment rate (% avg)	4.3	4.3	4.2	4.3	3.7	3.5	3.2	3.6	3.7	3.9	3.9	3.9	3.8	4.4	4.1	3.6	3.9
Central bank policy rate (% eop)	4.25	4.00	4.25	4.50	5.50	6.50	7.75	9.00	10.00	10.00	10.00	9.50	9.50	4.25	5.50	10.00	9.50
Foreign exchange (USDMXN, eop)	19.91	20.43	19.94	20.64	20.53	19.87	20.12	20.44	20.97	21.33	21.82	21.84	22.08	19.91	20.53	20.97	22.08
<b>Peru</b>																	
Real GDP (y/y % change)	-1.3	4.5	42.0	11.6	3.4	3.8	2.3	1.7	2.7	1.5	4.1	2.0	2.1	-11.0	13.4	2.6	2.4
CPI (y/y % eop)	2.0	2.6	3.3	5.2	6.4	6.8	8.8	8.0	7.4	7.1	5.3	4.7	4.0	2.0	6.4	7.4	4.0
Unemployment rate (% avg)	13.8	15.3	10.3	10.0	7.8	9.4	6.8	7.5	7.5	8.0	7.8	7.5	7.0	13.9	10.9	8.1	7.6
Central bank policy rate (% eop)	0.25	0.25	0.25	1.00	2.50	4.00	5.50	6.50	6.50	5.75	5.50	5.25	5.25	0.25	2.50	6.50	5.25
Foreign exchange (USDPEN, eop)	3.62	3.74	3.87	4.13	4.00	3.68	3.83	3.90	3.95	4.00	3.95	3.90	3.95	3.62	4.00	3.95	3.95
<b>United States</b>																	
Real GDP (y/y % change)	-2.3	0.5	12.2	4.9	5.5	3.5	1.6	1.8	0.4	1.1	1.4	1.4	1.7	-3.4	5.7	1.9	1.4
CPI (y/y % eop)	1.2	1.9	4.8	5.3	6.7	8.0	8.6	7.9	7.3	6.1	4.7	3.7	2.8	1.2	6.7	7.3	2.8
Unemployment rate (% avg)	6.8	6.2	5.9	5.1	4.2	3.8	3.6	3.6	3.9	4.2	4.5	4.7	4.9	8.1	5.4	3.7	4.5
Central bank policy rate (% eop)	0.25	0.25	0.25	0.25	0.25	0.50	1.75	3.00	3.25	3.25	3.25	3.25	3.25	0.25	0.25	3.25	3.25
Foreign exchange (EURUSD, eop)	1.22	1.17	1.19	1.16	1.14	1.11	1.05	0.97	0.95	1.00	1.02	1.05	1.05	1.22	1.14	0.95	1.05

Source: Scotiabank Economics.

Red indicates changes in estimates and forecasts since previous *Latam Weekly* on July 15, 2022.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2020		2021			2022				2023				2020	2021	2022f	2023f
	Q4	Q1	Q2	Q3	Q4	Q1	Q2e	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f				
<b>Argentina</b>																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-0.2
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	1.3	-	-	-	-	-	-	-	1.3
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDARS, eop)	-	-	-	-	-	-	-	-	-	1.00	2.50	16.25	30.00	-	-	-	30.00
<b>Brazil</b>																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	0.25	0.25	1.00	0.50	0.25	0.50	-	-	0.25	0.50
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	0.13	0.18	0.02	0.08	0.09	0.01	-	-	0.18	0.01
<b>Chile</b>																	
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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Colombia</b>																	
Real GDP (y/y % change)	-	-	-	-	-	-	1.3	-	-	-	-	-	-	-	-	0.3	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Mexico</b>																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-0.1	-0.1	-0.4	-0.8	-	-	-	-0.4
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-0.2	-0.1	-0.1	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Peru</b>																	
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (% avg)	-	-	-	-	-	-	-1.2	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (% eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>United States</b>																	
Real GDP (y/y % change)	-	-	-	-	-	-	-1.0	-0.9	-1.2	-1.6	-1.1	-0.9	-0.4	-	-	-0.7	-1.0
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	0.1	-	-	-0.1	-0.1	-	-	0.1	-0.1
Unemployment rate (% avg)	-	-	-	-	-	-	-	0.0	-	0.1	0.2	0.3	0.4	-	-	-	0.3
Central bank policy rate (% eop)	-	-	-	-	-	-	-	0.50	0.25	0.25	0.25	0.25	0.25	-	-	0.25	0.25
Foreign exchange (EURUSD, eop)	-	-	-	-	-	-	-	-0.11	-0.15	-0.10	-0.08	-0.07	-0.07	-	-	-0.15	-0.07

Source: Scotiabank Economics.  
Changes in estimates and forecasts since previous *Latam Weekly* on July 15, 2022.

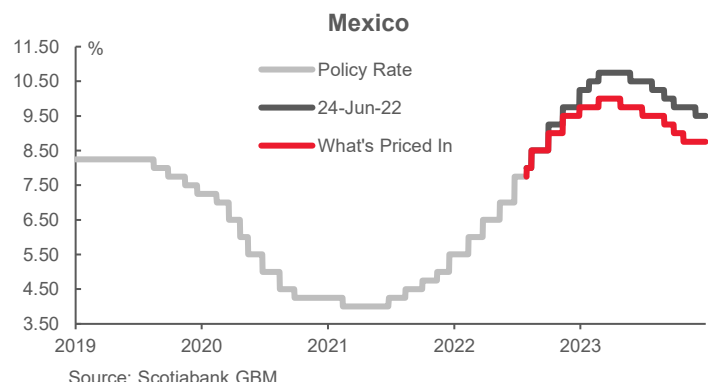
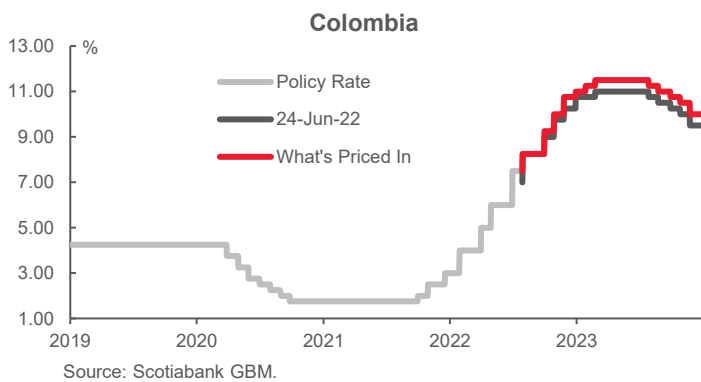
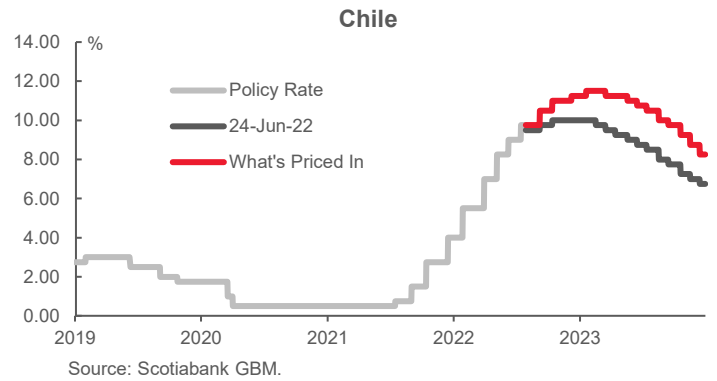
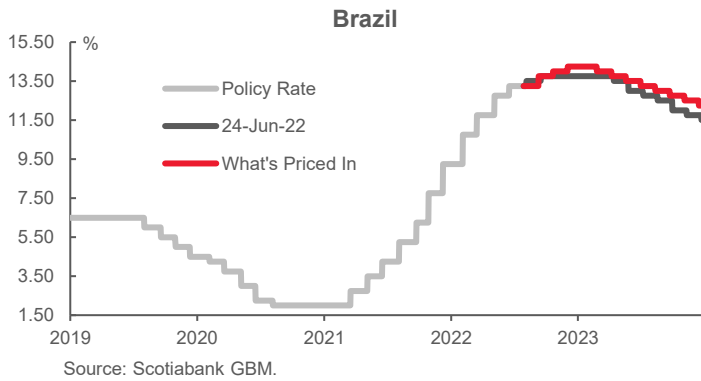
Forecast Updates: Central Bank Policy Rates and Outlook

Latam Central Banks: Policy Rates and Outlook

	Next Scheduled Meeting			Market Pricing		BNS Forecast		BNS guidance for next monetary policy meeting	
	Current	Date	Market	BNS	12 mos	24 mos	End-2022		End-2023
Argentina, BCRA, TPM, n.a.	52.00%	n.a.	n.a.	54.00%	n.a.	n.a.	53.50%	48.00%	Uncertainty has manifestly increased following the resignation of Economy Minister Guzman, reportedly over fundamental policy fissures within the government. Fearing the loss of financial discipline that would accompany the abandonment of the IMF program (the First Review of which was recently completed), prices were raised overnight. The BCRA thus has an even more difficult challenge to secure the positive real interest rates called for by the IMF program; with inflation now likely well above the recently-revised levels, the risks of the program going off-track has likely increased.
Brazil, BCB, Selic	13.25%	Aug-03	13.15%	13.75%	13.05%	11.84%	14.00%	10.50%	The BCB delivered a 50 bps hike in its June 15th meeting and provided guidance that its next decision would likely be a similar or smaller magnitude move. With that, the Selic rate will likely be in the 13.50% to 13.75% range. We are calling for the higher of the two since inflation data for June was worse than anticipated and households will receive a massive boost from income transfers ahead of the October presidential election.
Chile, BCCh, TPM	9.75%	Sep-06	9.75%	10.50%	10.41%	6.13%	11.00%	3.50%	We expect the benchmark rate will not exceed 11.00% in this tightening cycle, with rate cuts beginning in Q1-2023.
Colombia, BanRep, TII	7.50%	Jul-29	7.10%	8.50%	11.21%	8.23%	9.00%	7.00%	At the July meeting, we estimate an increase of 100 bps, but a stronger move is not ruled out as inflation expectations rose again and consumer credit demand is still accelerating. In addition, at this meeting it could be relevant to monitor if there is any signal of a future pause in rate hikes. For now, we project a terminal rate of 9.00%.
Mexico, Banxico, TO	7.75%	Aug-11	8.10%	8.50%	9.38%	8.02%	10.00%	9.50%	Forward guidance of Banxico's statement after the decision noted that "the Bank intends to continue raising the reference rate and will evaluate taking the same forceful measures if conditions required". The minutes also show that the Board is willing to act "forcefully" to ensure convergence to the inflation target, so it seems that Banxico's historic hike of 75 bps in the last meeting will be repeated in August's meeting, in line with the US Fed's hike in July. After that, we expect 50 bps increases in the following meetings, to reach 10.00% at the end of 2022.
Peru, BCRP, TIR	6.00%	Aug-11	n.a.	6.50%	n.a.	n.a.	6.50%	5.25%	The BCRP could raise the reference rate by 50 bps to 6.50% at the August 11 policy rate meeting. It could be the last hike if it is confirmed that inflation peaked in June.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

What's Priced In



## Economic Overview: Nothing to Fear but Fear Itself

- **Growing fears of financial instability in Argentina, measured by the widening gap between the official and black-market exchange rates, reflect a deterioration in the expected path of key economic fundamentals.**
- **These fears were stoked by the resignation of the former Economy Minister, Martin Guzman, over policy differences within the government, likely regarding the terms of the government’s program with the IMF. In these circumstances, short-term projections of Argentina’s financial outlook are subject to enormous uncertainty.**
- **One thing is certain: The loss of the fiscal and financial discipline provided by the IMF program would likely unleash an expectations-led financial crisis as ordinary citizens scramble to preserve the purchasing power of salaries and savings. And while this scenario is not inevitable, the longer that uncertainty remains, the bigger the challenge to financial stability.**
- **But, in contrast to the past, Latam countries with sound policy frameworks and strong economic and political institutions are unlikely to suffer severe adverse contagion effects. In this respect, they have nothing to fear but fear itself.**

**Fears of a global recession are on the rise, fueled by Q2 US GDP numbers, released July 28<sup>th</sup>.** With two quarters of negative growth and the Fed aggressively raising interest rates, including another 75 bps hike on July 27<sup>th</sup>, those fears may be justified. As [Scotiabank’s Derek Holt points out](#), however, financial markets reacted to the Fed’s announcement with considerable aplomb, possibly misconstruing the meaning in the message. That said, while the case remains to be proven, global recession fears could well be realized if central banks inadvertently tighten too much, as each individually puts a bias on restraint in order to get ahead of expectations and preserve credibility, without regard to the [collective effect that may have on global financial conditions and thus growth](#).

**To this point at least, there is no evidence of recession in the Latam region.** Growth there is generally holding up—if anything, exceeding expectations, as in the case of Colombia—even as it eases from post-pandemic rebound highs. Financial markets have been buffeted by the surge of the US dollar, which has resulted in increased volatility, as our team in Bogota observes in the Country Notes below, and [steep currency depreciations as in the case of the Chilean peso](#) (chart 1). But there is little cause for alarm. That can’t be said with respect to Argentina.

### MIND THE GAPS

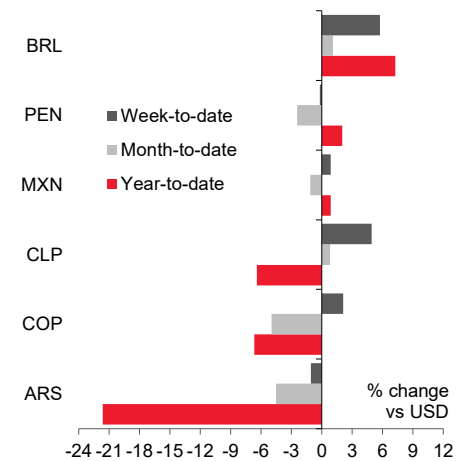
**The *Latam Weekly* does not typically devote much editorial space to Argentina.** In some respects, this inattention is incongruous with the fact that the country is richly endowed with natural resources and has enormous economic potential; Argentina should loom large in terms of economic importance to the region and the global economy writ large. **That it does not is largely because of endemic policy missteps that have created a huge gap between this potential and the actual economic outcomes. Those missteps have had the effect of reducing the economic and financial linkages between Argentina and its Pacific Alliance peers, which have generally fallen over time.**

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Chart 1

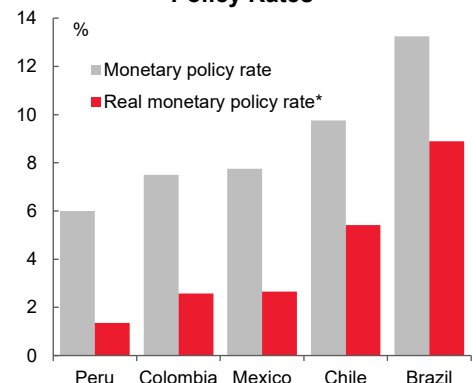
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

Policy Rates



\* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q3-2023, % y/y.  
Argentina: MPR = 52.0%; Real MPR = -2.8%.  
Sources: Scotiabank Economics, Haver Analytics.

July 29, 2022

**From the perspective of its regional neighbours, this disengagement may not be wholly unwelcome.** Particularly now. In recent days, the economic outlook in Argentina has darkened. The most telling statistic of this change is another gap—the one between the official exchange rate and the black-market exchange rate. This gap has widened considerably, reflecting a growing fear that the modicum of fiscal and financial discipline prevailing under the auspices of the IMF program may now be at risk. In this event, watch for a sudden deterioration in financial conditions as inflation expectations, which have already spiked higher, become unmoored.

**Sadly, Argentines have ample experience with financial crises and IMF programs that are derailed by external shocks or inadequate execution on the part of the government.** Holding wealth—even if it is a weekly pay cheque—in a currency whose purchasing power is rapidly being eroded by inflation is not a winning strategy. The sensible thing to do in such circumstances is to convert domestic currency into a more stable store of purchasing power. And for many, this stable store of value is the US dollar. The gap between the official exchange rate and the exchange rate at which ordinary citizens are prepared to exchange currency thus mirrors the rise in inflation expectations and the decline in the credibility of the government's financial stabilization plan.

**Another bout of financial instability is not inevitable, however.** While external price shocks propagated by Russia's invasion of Ukraine have pushed inflation up, as they have around the globe, the First Review of the IMF program, completed in late June, recognized these effects, and adjusted the program's targets accordingly. Steadfast adherence to the quantitative performance targets—which are intended to provide financial discipline—could yet prevent instability.

**But the proximate cause of the latest wave of fear undermines the case for optimism.** Expectations of inflation rose sharply in recent weeks following the resignation of the former Economy Minister, Martin Guzman, reportedly over fundamental policy differences within the government on the need to exercise fiscal and financial restraint to meet the conditions of the IMF program. While his latest successor, the second in less than a month, Sergio Massa, may successfully navigate between the domestic shoals of internecine political disputes and the reefs of external price shocks, that felicitous outcome is by no means assured. There is little doubt, however, that he has a difficult challenge ahead.

**One thing is certain: the longer that corrective measures are deferred, the bigger the challenge.** With inflation expectations already ratcheting up, the risk of extrapolative behaviour becoming entrenched is rising. Workers, observing price increases, extrapolate future price increases upwards. Fearing the erosion of real wages and purchasing power this entails, they demand higher wages based on these future inflation rates. Shopkeepers, likewise, increase prices in anticipation of extrapolated future inflation to preserve the value of working capital. And in the absence of fiscal and financial discipline, there is no nominal anchor to arrest this process.

## PROJECTING UNCERTAINTY

**In these circumstances, short-term economic projections are fraught with uncertainty and error.** The problem is that short-term forecasts of inflation, interest rates and the exchange rate hinge critically on a discrete policy decision—whether to stick with the IMF program, and its orthodoxy of fiscal and financial discipline, or embrace a heterodox policy program of expansion. The former has the overarching advantage that it has proven to work, albeit with the disadvantage that it requires painful adjustments. The latter, with its Panglossian promise of painless expansion, is the triumph of hope over experience; it is little wonder therefore that it is the politically expedient option. Unfortunately, it has rarely, if ever, been proven effective.

**Adoption of either of the two policy choices facing the government would have stark implications for short-term projections.** This is because analytically consistent forecasts would likely entail big changes from the status quo. Adherence to the government's IMF program, for example, would require large interest rate hikes to facilitate the positive real interest rates that are a key condition of the program. These higher rates would, however, contain inflation and stabilize the exchange rate, which would otherwise be subject to severe downward pressures. But higher interest rates would also take a toll on short-term growth and employment. In contrast, should the government's implementation of the IMF program flag or fail, fear of rampant inflation would likely overtake financial markets, resulting in both higher inflation (as any pretence of financial discipline is given up) and a deeply depreciated currency. Moreover, while growth and employment might get a short-term bump from more expansionary policies, any gain would prove ephemeral as the costs of yet another financial crisis mount.

**A third “muddling-through” scenario is possible in the near term, one that entails partial observance and serial renegotiation of IMF program targets.** Such an outcome would result in inflation that is higher than currently programmed, with commensurate interest rate increases—but which lag inflation—and currency depreciation that reflects higher inflation. But even that unsatisfactory scenario may only be possible with increasingly draconian measures to contain inflationary pressures and exchange rate depreciation, measures that would

further reduce Argentina's economic and financial links to the region and the rest of the world. **Nevertheless, with pervasive uncertainty in respect of the government's intentions, it probably is the scenario that most analysts implicitly assume.**

**For the purposes of the Latam Weekly forecast tables, we report the market consensus, recognizing that this is likely to yield results that are likely to be off the mark.**

### THE REWARDS OF VIRTUE

**There was a time—not that long ago—when financial instability in Argentina would raise serious concerns of contagion to the rest of the region.** No longer. While financial instability in Argentina can be expected to adversely affect its immediate neighbours, with whom it is more-highly connected through trade and financial channels, this is not the case with respect to the Pacific Alliance.

**Over the past two decades, Pacific Alliance countries along with others in the region have established sound policy frameworks and strong economic and political institutions.** Together, these frameworks and institutions anchor policies and expectations, helping to reduce risk premia and allowing governments in the region to break the curse of pro-cyclical policy responses. **And the virtue of the tough choices made in the past to safeguard fiscal frameworks and preserve central bank independence is rewarded with increased resilience to external shocks.** In the current conjuncture, those tough choices include raising interest rates above the rate of inflation (chart 2).

**But that virtue is not assured; political uncertainty, slippages of fiscal and monetary policy anchors, and the erosion of democratic norms could reduce that resilience. In an environment of “risk-off” such factors could increase the possibility of contagion.** Countries in the region must remain vigilant to these threats to long-term prosperity.

### NOTHING TO FEAR

**In the darkest days of the Great Depression, US President, Franklin D. Roosevelt soothed the nerves of an anxious nation by counselling that “the only thing we have to fear is fear itself”.** Roosevelt was warning against a self-fulfilling, expectations-led collapse in activity in which the fear of an economic collapse incites people to defer purchases and businesses to postpone investment, generating the very outcome they fear. **For global investors, the fear of a self-fulfilling prophecy is unwarranted in the case of the Pacific Alliance and elsewhere where sound policy frameworks and strong institutions provide resilience to external shocks.**

**But that can't be said with respect to Argentina.** This is because the deterioration in the short-term outlook there mirrors a corresponding self-inflicted deterioration in the path of expected fundamentals, as fiscal and financial discipline is eroded. Efforts to address the current funk with more spending and looser monetary policies would only create more instability. And while that scenario would entail severe hardships for Argentina's poor, the effect on most Latam countries would likely be muted.



## Pacific Alliance Country Updates

### Chile—Current CLP Level Should Ensure External Sustainability

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#### COVID-19 SITUATION IN CHILE

The daily number of confirmed COVID-19 cases has continued to increase in recent days, though the test positivity rate is stable around 15%. For now, however, occupancy rates of ICU beds and COVID-19-related death rates are stable at low levels. Meanwhile, the vaccination campaign has reached 92.9% of the eligible population. The rollout of booster (third) doses continues—reaching 15.4 million people—and the new booster dose (fourth) is in progress—with 10.5 million people covered.

#### AS ANTICIPATED, THE CENTRAL BANK HAS BEGUN EXCHANGE RATE INTERVENTION

On Thursday, July 14, the central bank (BCCh) announced a USD 25 bn foreign exchange intervention to support the CLP after it plummeted to a record low, reaching CLP 1,049. The program includes spot dollar sales of up to USD 10 bn; foreign exchange hedge sales to the same amount, and a foreign exchange swap program to provide liquidity of up to USD 5 bn. In general, the program is consistent with what we expected. The CLP is currently around 12% below the maximum level reached before the intervention. However, in our view, it remains above the level explained by its fundamentals.

#### CLP DEPRECIATION SHOULD BE SUFFICIENT TO GUARANTEE EXTERNAL SUSTAINABILITY

Recent assessments of Chile's current account deficit by international observers suffer from a vision of temporary adjustment. In particular, their focus on the high current account deficit as a percentage of GDP with respect to a broad group of countries does not represent a good basis for the depreciation of the Chilean peso (CLP).

**Why do we have such high current account deficit?** In our view, the main driver of large current account deficits is the government. Large deficits which prevailed prior to 2019 began to narrow at the start of the pandemic. But deficits quickly started to increase again as a result of a stable private investment and a decline in public savings (chart 1).

**Who has financed the current account deficit?** Prior to 2019, foreign direct investment (FDI) was the largest source of current account financing (albeit focused on mining and the energy sector). That fact alleviated concerns about financial vulnerability. However, since the beginning of the pandemic Portfolio Investment (PF withdrawals) and, to a lesser extent, the increase in sovereign debt that has financed deficits.

**Is the economy making the necessary adjustments?** In our view, the answer to this question is in the affirmative; moreover, the adjustment process is already well advanced. As of Q2-2022, a virtuous combination between current account deficits and the real depreciation of the CLP already exists (chart 2). Taking in account the above, our analysis suggests that the adjustment is already underway, assuming no new PF withdrawals, fiscal transfers that jeopardize fiscal convergence and/or levels of public debt higher than the included in the latest Public Finance Report (38.0% of GDP in 2022). We have seen positive signs in these dimensions.

**Is further depreciation of the CLP necessary?** According to our analysis, we do not expect a further real depreciation of the CLP in our baseline scenario in which the economy expands 2.1% in 2022 and falls into recession with a contraction of 0.9% in 2023. In our view, the current depreciated level of the CLP, if sustained, would be enough to ensure external sustainability.

Chart 1

Chile: Savings by Economic Agent

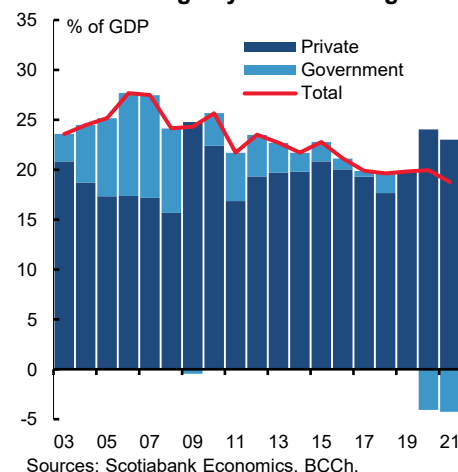
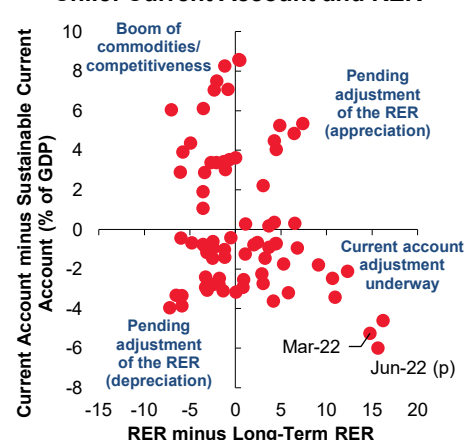


Chart 2

Chile: Current Account and RER





**A LOOK AHEAD**

In the next fortnight, the central bank will release the monthly GDP growth for June, on Monday August 1, while the statistical agency (INE) will publish the July's CPI on Monday, August 8.

**Colombia—The Explained and Unexplained Drivers of the Exchange Rate**

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The world is in a unique moment. Markets are unusually volatile owing to the possibility of stagflation for the first time in more than forty years. This risk is making central banks more hawkish than expected, while supply pressures make it more difficult than usual to normalize inflation, forcing monetary policy to become pro-cyclical and stoking recession fears across the world.

In this environment, investors' preferences are tilted to maintaining a light positioning and seeking refuge in the US dollar, which has strengthened beyond expectations. Given this context, the Colombian peso (COP) has been hit along with other Latam currencies. Having said that, as in the rest of the region, the Colombian economy has its idiosyncrasies that can affect expectations formation.

Initially, our FX model showed that the uncertain international situation has increased the USDCOP fit by around 350 pesos (10%), to 3,850 pesos in a long-run perspective (chart 1). As long as volatility continues and markets adjust to lower international liquidity with higher interest rates, we think this effect will continue to exert pressure on the COP.

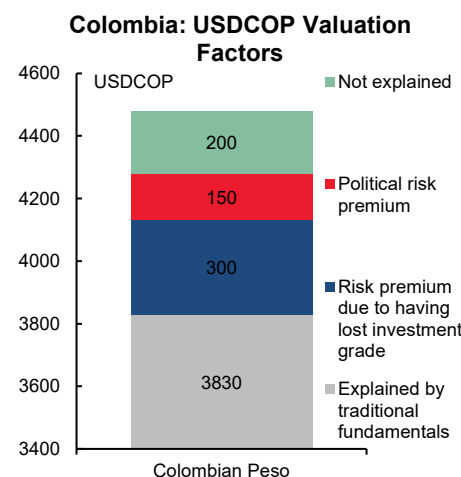
Starting from its fundamental value, we identify some premiums on the FX. The first is the loss of investment grade status last year, which led the COP to weaken structurally by an additional COP300, as a result of the deterioration in the country's risk perception. This effect takes the fundamental exchange rate to USDCOP 4,150. Moreover, as we think this represents a structural deterioration for the COP, we expect these +300 pesos premium to remain in the COP over the medium term, since we do not expect Colombia to recover its investment-grade for at least the next two years.

The model also shows that political uncertainty has affected COP dynamics; specifically, a +COP150 penalization attributable to the presidential elections season. The strong movements after the first round of presidential elections (an appreciation of 125 pesos) and the almost exact opposite reaction after the second round confirmed that the COP currently has a roughly COP 150 risk premium priced-in.

Summing up all the effects, our models say that the COP should be hovering around USDCOP 4,300, but with the possibility of high volatility remaining. The recent more centrist tone of President-Elect Petro with respect to making structural reforms under the ruling institutional framework in Colombia and cooperating with Congress and the Courts will, in our opinion, diminish the electoral effect once President-Elect Petro takes office. However, volatility will continue on the back of international uncertainty and Congressional discussion of the tax reform proposal that we expect the government will present to Congress in the second week of August.

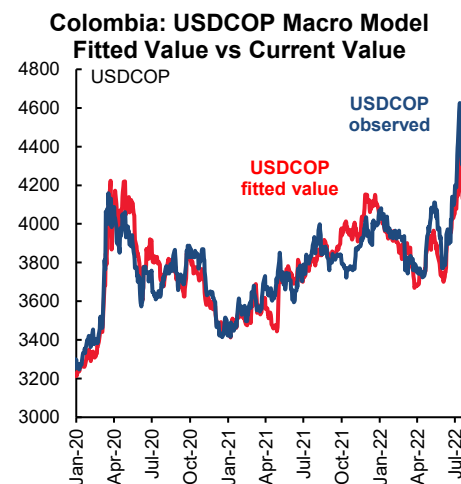
All in all, our models point to a period of unusually high volatility in the COP owing to the external environment and the beginning of Gustavo Petro's presidential term. However, levels significantly above 4,300 pesos are not explained by any structural or temporary shock (chart 2). In fact, we think recent historical high levels above 4,500 pesos were overreactions to an illiquid market and should vanish fairly quickly. In addition, BanRep explicit communication of non-FX intervention could keep volatility high while preventing speculative extrapolative expectations, and eliminate levels significantly above our fit level of about USDCOP 4,300. For now, we keep our forecast of COP returning to levels close to USDCOP 4,000 by the end of the year as the effect of the presidential season declines and reflecting a partial reversion after the external environment eases once developed countries' central banks approach the end of their hiking cycles.

Chart 1



Source: Scotiabank Economics.

Chart 2



Sources: Scotiabank Economics, BanRep.

## Mexico—AMLO’s Presidential Approval and Voter Intentions Ahead of the 2024 Presidential Election

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With a 75% approval rating, President Lopez Obrador started off his mandate with the strongest approval rate of any president since at least 1994. And with two-thirds of his presidential term behind him, Lopez Obrador continues to enjoy high ratings from Mexican voters (the [Oraculus.mx poll-of polls](#) puts AMLO’s approval rate at 62%) (chart 1). In fact, at this stage of a presidential term, AMLO’s approval rate is the highest among the last five presidents, stretching back almost 30 years. The highest “terminal approval rate” (at the end of a 6-year mandate) since 1994 was achieved by Ernesto Zedillo, who closed his presidency with a 67% approval rate, after kicking off his time as president with the lowest approval rating of any president in the same period.

These political factoids raise an interesting question: Does history suggest that a 60% approval rating guarantee that a president’s party will remain in power? The answer is a resounding “No”. President Felipe Calderon (PAN party) closed his mandate with a 58% approval rate, yet his party lost the presidency in 2012 to the PRI’s Enrique Peña Nieto (who ended his mandate with an approval rate of less than half, with the second lowest among presidents in the last 30 years—at 23%).

Note, however, that the approval rating of AMLO’s Morena party is also materially higher than that of any opposition party in the country, with voter intentions for the 2024 presidential election currently at 43%, more than twice as high as the two strongest opposition parties (PRI and PAN), both of which stand around 17% (chart 2). This suggests that if the opposition wants to present a credible candidate who could challenge the government in the 2024 presidential election, it would have to continue with its recent strategy of forming a coalition, and likely broaden it, in order to have a chance of winning in 2024.

The PRI-PAN-PRD coalition has been able to secure a few victories working together. But it is noteworthy that in the last election (June 2022), Morena still won four out of six Gobernatorial elections, all of which were previously held by the opposition (Quintana Roo, Oaxaca, Hidalgo, and Tamaulipas), while the opposition held onto Durango and Aguascalientes. All six states were previously held by the opposition. The two states retained by the opposition saw the opposition compete as a block, whereas in Hidalgo the opposition lost as a PRI-PAN-PRD block. In Oaxaca, the PAN competed on its own, and the PRI-PRD formed an alliance. In Quintana Roo, the PAN-PRD formed an alliance, while the PRI competed on its own. And in Tamaulipas, the opposition lost despite forming a PRI-PAN-PRD coalition.

The most recent polls suggest that for the 2024 election, the PRI-PAN-PRD block would still lose against the Morena coalition by about 10 percentage points, with the gap widening recently (chart 3). Even if the MC party, which has so far been reluctant to form a coalition, Morena and its allies are still ahead in voter intention polls, although in that scenario, the gap is close to the poll’s margin of error (chart 4).

Another element to consider is the candidates both for Morena and the opposition. In Morena, the front-runners include Claudia Sheinbaum, the Mayor of Mexico City, who many consider to be AMLO’s personal choice (chart 5). She is seen as providing continuity with AMLO’s administration. Another Morena front-runner is Secretary of Foreign Affairs Marcelo Ebrard, who is viewed as a pragmatic politician (he was formerly in the PRI and PRD), but who

Chart 1

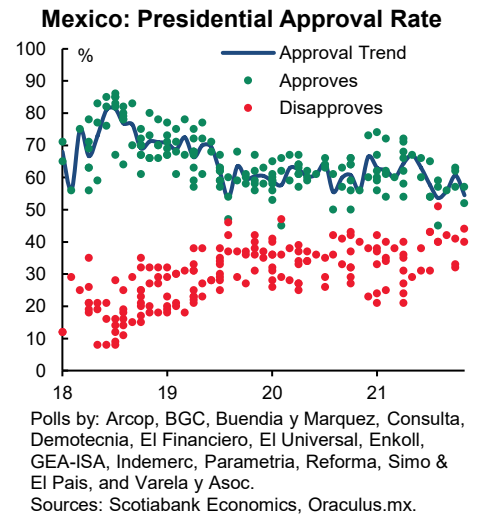


Chart 2

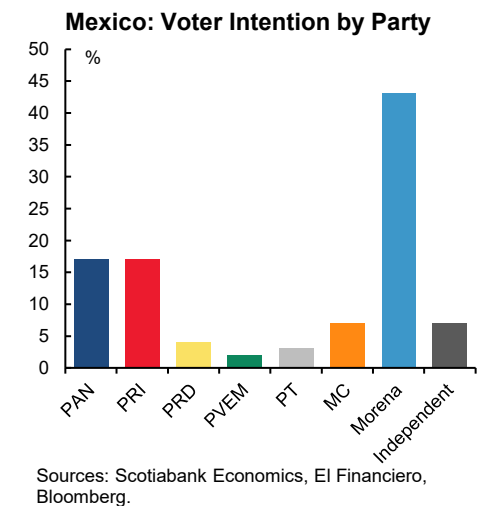
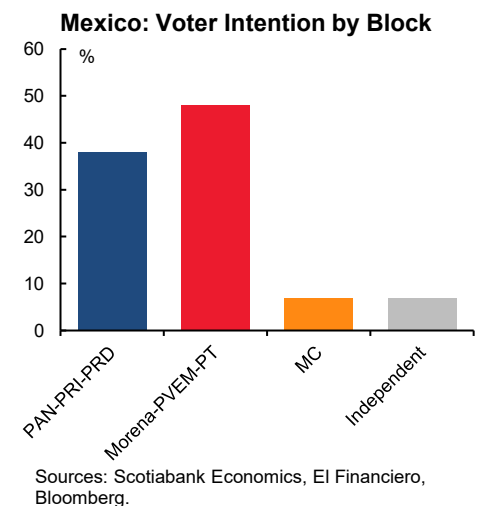


Chart 3



has a much higher rejection rate in polls than Sheinbaum, and is not believed to be AMLO’s top choice as his successor—even if he was AMLO’s successor as mayor of Mexico City. Others potential candidates for Morena include Ricardo Monreal (another pragmatic politician formerly of the PRI), who is perceived to have fairly independent views. A more recent entry into Morena’s potential candidate pool is Interior Minister Adan Augusto Lopez, whose first foray into Federal politics came when AMLO brought him into the role of interior minister halfway through his mandate, and who is an AMLO loyalist, also representing continuity with AMLO’s policies.

**For the opposition, polls suggest that the strongest contender is Monterrey Mayor Luis Donald Colosio (chart 6).** A young (37-year-old) politician whose father was assassinated campaigning for the presidency in the 1994 presidential contest. He is seen as a charismatic contender, who has a reputation for strong ethics and pragmatism. He is currently an activist in the MC party, which has a relatively low party voter intention at the Federal level (under 10%), even if it currently controls the governorships of 2 of the most strategic states in the country—Nuevo Leon and Jalisco. Enrique de la Madrid, a Harvard educated career civil servant who has also worked in the private financial sector, is also seen as one of the top contenders. His father was president of Mexico 1982–88, and was tasked with rebuilding the economy after the 1982 crisis. Enrique de la Madrid’s voter intention numbers are similar to Colosio’s, but he is currently pitching himself as a “citizen candidate”, independent from any of the major political parties. Other potential contenders for the opposition include PRI party president Alejandro Moreno, who has recently come under fire, and former PAN presidential contender Ricardo Anaya who enjoys a high national recognition, but a higher than 50% rejection rate in some polls.

**The presidential elections are still two years away, but at this stage Morena appears to be the party to beat.** Polls suggest that, for it to have a strong chance to unseat Morena from government, the opposition will likely need to form a broad coalition, including the MC party, which has so far been reluctant to be part of a coalition. We anticipate that the electoral process will start coming into focus at some point over the next 12 months, with the synchronization of the US and Mexican 2024 presidential elections adding another angle to watch.

Chart 4

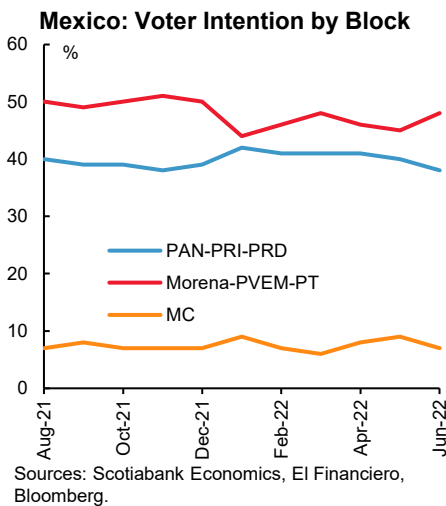


Chart 5

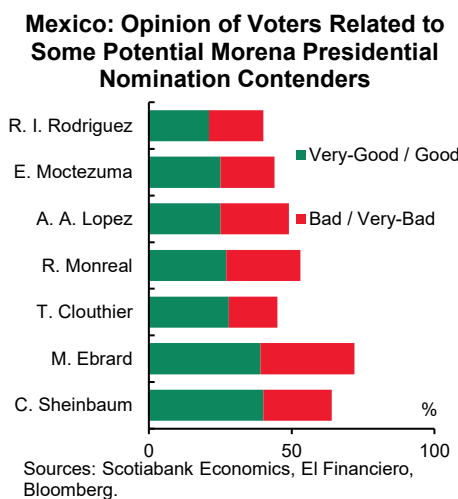
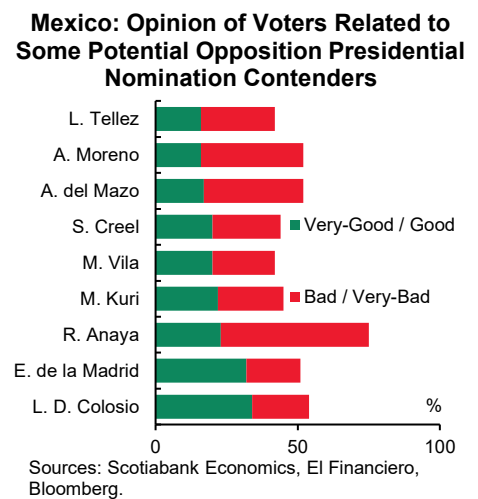


Chart 6



## Peru—The Government Begins Its Second Year in Survival Mode

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**By the time you read this, President Castillo will have delivered his mandatory July 28 State of the Nation address.** We will produce an analysis on the address on August 2, with emphasis on policy guidelines, economic in particular. However, politics in general is likely to be at centre stage in President Castillo’s mind at the moment. Indeed, the most challenging issue that the Castillo Regime will need to deal with as his second year in office begins is frankly, political survival.

**President Castillo has already tried to safeguard the survival of his administration with the removal just over a week ago of the Minister of the Interior, Mariano Gonzalez, who was bent on pursuing a number of individuals close to the president, and who are in**

**hiding from prosecution for corruption.** The new Minister of the Interior, Willy Huerta, has already been accused by prosecuting attorneys of obstruction of justice for not providing police support to their actions.

**And, yet, the survival of the Castillo Presidency was again put in jeopardy this week when one of the fugitives, Bruno Pacheco, who was Secretary General to the Presidency during the early months of the Castillo Regime, turned himself in.** According to press reports, Pacheco has already admitted that: 1. a number of high-ranking police officials had paid bribes for their appointments, and that these payments were managed by President Castillo's nephews; 2. the current Secretary General of the presidency, by order of President Castillo himself, assisted Pacheco in hiding; 3. twelve members of Congress received special "benefits", presumably in exchange for their votes against the impeachment of President Castillo. This would represent an increase from the six members of Congress already under investigation.

**The Castillo Government thus begins its second year besieged by corruption allegations, with ties involving family members.** His presidency is weakening and he himself is increasingly isolated. Corruption issues are pretty much putting all other matters of discussion on the back burner, including the economy—despite concerns over inflation and decelerating growth.

**Meanwhile, the Cabinet is, in practice, quietly holding its own, albeit operating at a relatively low gear.** A small cohort of three or four members dedicated to shielding and defending President Castillo, with the remainder evading politics and mainly involved in managing their individual ministerial responsibilities. The Minister of Finance, Oscar Graham, is among the latter. This is just enough to allow the State to perform.

**With five corruption investigations focused on President Castillo himself, and likely more coming following the testimonies by Bruno Pacheco, impeachment continues to be part of the political discussion.** But impeachment depends on Congress, and it remains unclear whether there will ever be enough votes in favour. Pacheco himself may have provided the key as to why sufficient votes are not forthcoming when he suggested that at least a dozen members of Congress may have been swayed by "benefits". The past impeachment garnered 78 votes of the 87 votes needed. Twelve votes would be enough to swing the results.

**The newly elected congressional leadership, with Lady Camones (Lady is her name, not a title, in case you were wondering) as spokesperson, appears divided on the issue of impeachment.** While Ms. Camones has suggested the possibility of seeking an impeachment, another member of the four-member Board has stated that this is not part of their mandate.

**Meanwhile, President Castillo begins his second year with yearly inflation (to June) at 8.8%.** Luckily, inflation is not significantly dependent on government management.

Furthermore, there are signs that inflation is starting to turn, and we expect the yearly rate to come in at 8.5% in July (table 1). If so, this would validate the BCRP's belief that inflation peaked in June. Even so, we continue to expect the BCRP to raise its reference in August from 6.0% to 6.5%, mainly to reinforce the anti-inflation message. However, if inflation declines again in August, as we expect, then the BCRP would conceivably no longer see the need for any further rate increase. This would also provide the Castillo

Regime with some relief, as a rising cost of living is politically bad for any government. Inflation was 3.8% at the beginning of the Castillo Administration (July 2021), will hopefully have peaked in June, and then decline towards around 5% a year from now.

**Growth was not so bad during the first year of the Castillo Regime.** Based on official figures to May, and our estimate for June, GDP growth would have been 4.4% in the last 12 months. This continued to reflect a rebound from past COVID-19 mobility restrictions, which will carry very little weight going forward. We expect a significant slowdown to 2.5% for his second year in office. The Quellaveco copper mine, which has just begun, will help by adding nearly half a percentage point to growth once it is in full swing. The strength and professionalism at the ministry of finance notwithstanding, we do not see overall State management amending sufficiently for fiscal policy to drive growth significantly, nor do we see politics improving enough for business confidence and investment to return to normal. Unless there is a regime change, in which case anything could happen.

**Table 1: Peru—Key Macroeconomic Figures During the Castillo Tenure**

	July 2021	July 2022 F	July 2023 F
GDP growth (y/y % change)	8.5	4.4	2.5
Inflation (y/y % change)	3.8	8.5	5.3
Reference rate (%)	0.25	6.00	5.50
FX rate (USD/PEN, eop)	4.06	3.92	3.95
Unemployment rate (%)	9.4	6.8	7.8
Fiscal balance (% of GDP)	-5.9	-1.1	-2.0
Copper price (USD/lb)	4.28	3.35	N/A
Gold price (USD/oz)	1807	1740	N/A

Sources: Scotiabank Economics, BCRP.

**The fact that metal prices are lower today than a year ago, also does not bode well.** While inflation may have peaked in June, the fiscal deficit has peaked to the downside at around 1% of GDP currently. The trade balance, at USD 15.4 bn over the 12 months to May, has also likely topped out. Macro accounts will continue robust, given such strong starting points, good economic management, and also simply because metal prices are still quite acceptable. Thankfully, just as politics did not interfere with Peru's strong macro accounts in the first year of the Castillo Government, there appears little reason to believe it will interfere in the second.

**The unusual, and distressing, thing about Peru today is that there seems to be more uncertainty concerning whether President Castillo will still be in office a year from now, than there is regarding our economic forecasts over this time frame.**

Market Events & Indicators for July 30–August 12

**ARGENTINA**

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-03		Vehicle Exports Adefa	Jul	--	--	31892	
Aug-03		Vehicle Production Adefa	Jul	--	--	48392	
Aug-03		Vehicle Domestic Sales Adefa	Jul	--	--	37236	
Aug 1-3		Government Tax Revenue (ARS bn)	Jul	--	--	1680.90125	
Aug-05		Central Bank Survey		--	--	--	
Aug-09	15:00	Construction Activity (y/y)	Jun	--	--	19.9	
Aug-09	15:00	Industrial Production (y/y)	Jun	--	--	11.93	
Aug-10	15:00	Wages (m/m)	Jun	--	--	4.96	
Aug-11	15:00	Greater Buenos Aires CPI (m/m)	Jul	--	--	5.5	
Aug-11	15:00	Greater Buenos Aires CPI (y/y)	Jul	--	--	64.97	
Aug-11	15:00	National CPI (m/m)	Jul	--	--	5.3	
Aug-11	15:00	National CPI (y/y)	Jul	--	--	64	

**BRAZIL**

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-01	7:00	FGV CPI IPC-S (%)	31-Jul	--	--	-0.44	
Aug-01	7:25	Central Bank Weekly Economist Survey		--	--	--	
Aug-01	9:00	S&P Global Brazil Manufacturing PMI	Jul	--	--	54.1	
Aug-01	14:00	Trade Balance Monthly (USD mn)	Jul	--	--	8768.56	
Aug-01	14:00	Exports Total (USD mn)	Jul	--	--	32633.17	
Aug-01	14:00	Imports Total (USD mn)	Jul	--	--	23864.61	
Aug-02	4:00	FIPE CPI - Monthly (%)	Jul	--	--	0.28	
Aug-02	8:00	Industrial Production (m/m)	Jun	--	--	0.3	
Aug-02	8:00	Industrial Production (y/y)	Jun	--	--	0.5	
Aug-03	9:00	S&P Global Brazil Composite PMI	Jul	--	--	59.4	
Aug-03	9:00	S&P Global Brazil Services PMI	Jul	--	--	60.8	
Aug-03	17:30	<b>Selic Rate (%)</b>	<b>03-Aug</b>	<b>13.75</b>	<b>13.75</b>	<b>13.25</b>	
Aug 1-3		Vehicle Sales Fenabrave	Jul	--	--	182417	
Aug-05	7:00	FGV Inflation IGP-DI (y/y)	Jul	--	--	11.12	
Aug-05	7:00	FGV Inflation IGP-DI (m/m)	Jul	--	--	0.62	
Aug 4-5		Vehicle Sales Anfavea	Jul	--	--	178067	
Aug 4-5		Vehicle Production Anfavea	Jul	--	--	203598	
Aug 4-5		Vehicle Exports Anfavea	Jul	--	--	47316	
Aug-08	7:00	FGV CPI IPC-S (%)	07-Aug	--	--	-0.44	
Aug-08	7:25	Central Bank Weekly Economist Survey		--	--	--	
Aug-08	14:00	Trade Balance Weekly (USD mn)	07-Aug	--	--	1688.3	
Aug-09	4:00	FIPE CPI - Weekly (%)	07-Aug	--	--	0.33	
Aug-09	7:00	Central Bank Meeting Minutes		--	--	--	
Aug-09	8:00	IBGE Inflation IPCA (m/m)	Jul	--	--	0.67	
Aug-09	8:00	IBGE Inflation IPCA (y/y)	Jul	--	--	11.89	
Aug-10	8:00	Retail Sales (m/m)	Jun	--	--	0.1	
Aug-10	8:00	Retail Sales (y/y)	Jun	--	--	-0.2	
Aug-10	8:00	Retail Sales Broad (m/m)	Jun	--	--	0.2	
Aug-10	8:00	Retail Sales Broad (y/y)	Jun	--	--	-0.7	
Aug-11	8:00	IBGE Services Volume (y/y) NSA	Jun	--	--	9.2	
Aug-11	8:00	IBGE Services Volume (m/m) SA	Jun	--	--	2.0	

**CHILE**

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-01	8:30	Economic Activity (y/y)	Jun		3.0	--	6.4 We expect GDP growth of 3.0% y/y in June, consistent with our forecast of 2.1% for annual GDP in 2022.
Aug-01	8:30	Economic Activity (m/m)	Jun		-0.6	--	-0.1
Aug-01		Central Bank Traders Survey			--	--	--
Aug-05	9:00	Nominal Wage (y/y)	Jun		--	--	9.6
Aug 1-5		IMCE Business Confidence	Jul		--	--	42.73
Aug-08	8:00	CPI (m/m)	Jul		--	--	0.9
Aug-08	8:00	CPI (y/y)	Jul		--	--	12.5
Aug-08	8:30	International Reserves (USD mn)	Jul		--	--	45813
Aug-08	8:30	Trade Balance (USD mn)	Jul		--	--	-11.32
Aug-08	8:30	Exports Total (USD mn)	Jul		--	--	8487
Aug-08	8:30	Imports Total (USD mn)	Jul		--	--	8498.32
Aug-08	8:30	Copper Exports (USD mn)	Jul		--	--	3975.22
Aug-10		Central Bank Economist Survey			--	--	--
Aug 5-10		Vehicle Sales Total	Jul		--	--	36206

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

## Market Events &amp; Indicators for July 30–August 12

## COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-01	11:00 Davivienda Colombia PMI Mfg	Jul	--	--	55.7	
Aug-02	11:00 Exports FOB (USD mn)	Jun	--	5750	4552.71	
Aug-02	18:00 Colombia Monetary Policy Minutes		--	--	--	
Aug-05	7:00 CPI (m/m)	Jul	0.63	0.63	0.51	We expect headline inflation to approach 10% y/y, with food to
Aug-05	7:00 CPI (y/y)	Jul	10.0	9.97	9.7	continue contributing to the upside but less than in previous
Aug-05	7:00 CPI Core (m/m)	Jul	0.60	--	0.47	months. In the same vein, utility fees and gasoline prices will also
Aug-05	7:00 CPI Core (y/y)	Jul	7.15	--	6.84	impact to the upside. Additionally, the reversal of the VAT holiday
						also will contribute to the acceleration.
Aug-08	Consumer Confidence Index	Jul	--	--	2.9	
Aug-12	11:00 Manufacturing Production (y/y)	Jun	--	--	46.23	
Aug-12	11:00 Retail Sales (y/y)	Jun	12.0	--	34.8	In June we expect manufacturing y/y to remain elevated but to a
Aug-12	11:00 Industrial Production (y/y)	Jun	12.8	--	29.9	lesser extent as the base effects begin to fade. For retail sales we
						expect a strong performance as June was the second VAT holiday
						of the year.
Aug-12	Central Bank Economist Survey		--	--	--	

## MEXICO

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-01	10:00 Remittances Total (USD mn)	Jun	--	4850	5172.5	
Aug-01	10:00 Central Bank Economist Survey		--	--	--	
Aug-01	10:30 S&P Global Mexico Manufacturing PMI	Jul	--	--	52.2	
Aug-01	13:00 IMEF Non-Manufacturing Index SA	Jul	--	--	51.8	
Aug-01	13:00 IMEF Manufacturing Index SA	Jul	--	--	49.2	
Aug-02	7:00 Leading Indicators (m/m)	Jun	--	--	-0.23	
Aug-02	10:00 International Reserves Weekly (USD mn)	29-Jul	--	--	198855	
Aug-03	7:00 Vehicle Domestic Sales	Jul	--	--	90368	
Aug-04	7:00 Consumer Confidence	Jul	--	--	43.6	
Aug-05	7:00 Gross Fixed Investment (%)	May	--	--	7	
Aug-05	7:00 Vehicle Exports	Jul	--	--	237674	
Aug-05	7:00 Vehicle Production	Jul	--	--	285318	
Aug-05	Banamex Survey of Economists		--	--	--	
Aug-09	7:00 CPI Core (y/y)	Jul	--	--	7.49	
Aug-09	7:00 CPI (m/m)	Jul	--	--	0.84	
Aug-09	7:00 CPI (y/y)	Jul	--	--	7.99	
Aug-09	7:00 CPI Core (m/m)	Jul	--	--	0.77	
Aug-09	7:00 Bi-Weekly CPI (%)	31-Jul	--	--	0.43	
Aug-09	7:00 Bi-Weekly CPI (y/y)	31-Jul	--	--	8.16	
Aug-09	7:00 Bi-Weekly Core CPI (%)	31-Jul	--	--	0.34	
Aug-09	7:00 Bi-Weekly Core CPI (y/y)	31-Jul	--	--	7.56	
Aug-09	10:00 International Reserves Weekly (USD mn)	05-Aug	--	--	198855	
Aug-10	ANTAD Same-Store Sales (y/y)	Jul	--	--	7.9	
Aug-10	Nominal Wages (m/m)	Jul	--	--	6.7	
Aug-11	7:00 Manuf. Production NSA (y/y)	Jun	--	--	6.08	
Aug-11	7:00 Industrial Production NSA (y/y)	Jun	--	--	3.33	
Aug-11	7:00 Industrial Production SA (m/m)	Jun	--	--	0.08	
Aug-11	14:00 Overnight Rate (%)	11-Aug	8.50	--	7.75	
Aug-12	13:00 Formal Job Creation Total	Jul	--	--	60.2	

## PERU

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-01	11:00 Lima CPI (m/m)	Jan	0.7	--	1.2	We expect a seasonally adjusted rise in food and transport prices.
Aug-01	11:00 Lima CPI (y/y)	Jul	8.5	--	8.8	The pace of annual inflation could see a turning point in June due to a high base of comparison in July.
Aug-11	19:00 Reference Rate (%)	11-Aug	6.50	--	6.00	The BCRP could raise the reference rate by 50 bps to 6.50% at the August 11 policy rate meeting. It could be the last hike if it is confirmed that inflation peaked in June.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.



Scotiabank Economics Latam Coverage



Local Market Coverage

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