

## Latam Charts: Signs of Recovery, but Uncertainties Persist

- Indicators point to economic recovery in the Latam region, but sustained growth depends on the progress made in containing the pandemic.
- The pandemic also creates uncertainty in the interpretation of monthly indicators of growth and inflation, as base effects create large year-over-year swings.
- Meanwhile, political developments have generated uncertainties that financial markets have priced-in.

### KEY ECONOMICS CHARTS

- Monitoring of key economic variables continues to be clouded by the effects of the pandemic.
- In this respect, while projections for real GDP (chart 1) are broadly consistent with the Monthly Economic Activity Index Tracker (chart 2), which is signalling economic recovery, large rebounds in year-over-year numbers include base effects and must be interpreted with caution. There are, however, undeniable signs of strength. Chile stands out. The central bank's latest [Monetary Policy Report](#) released on June 9 raised the range of expected GDP growth to 8.5%–9.5% y/y (see yesterday's [Latam daily](#)). Containing COVID-19 is a key factor behind restoring growth, and the projection of strong growth reflects Chile's remarkably successful vaccine campaign (see discussion below). Yet, uncertainties remain, as illustrated by the decision of Chilean health authorities to re-impose a lockdown in Santiago.
- Inflation numbers are also subject to base effects. And while inflation measured on a year-over-year basis is projected to increase across the region, inflation is expected to moderate over the course of 2021 and 2022 as base effects coinciding with the early months of the pandemic tail off (chart 3).
- A key element of the outlook for inflation is the extent to which inflation expectations have remained anchored by central banks' inflation targets. Real policy rates, defined as the current policy rate minus Scotiabank's expected inflation, rate one year ahead, remain negative in most countries to provide support for economic recovery (chart 4). This setting is broadly appropriate; going forward, central banks will have to remain vigilant to price pressures that could become embedded in inflation expectations.
- Likewise, fiscal policy, which has provided support to individuals and the economy through large fiscal deficits (chart 6), will have to be calibrated to ensure long-term sustainability. In most countries of the region, General Government Debt as a share of GDP (chart 7) and External Debt as a share of GDP (chart 8) remain manageable despite higher deficits, though increases in Argentina's debt loads are significant.
- Meanwhile, improved current account balances (chart 9) have contributed to total reserves (chart 10), and mitigate foreign exchange risks.

### CONTACTS

Jim Haley  
416.607.0058  
Scotiabank Economics  
[jim.haley@scotiabank.com](mailto:jim.haley@scotiabank.com)

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## FINANCIAL MARKET CHARTS

- **Financial markets have reflected recent political development.**
- **In Peru, capital outflows prior to the June 6 run-off presidential election led to a sharp drop in the currency.** The PEN recovered some ground after the vote, as officials of leftist candidate Castillo's party signalled that his administration would pursue a moderate approach to economic policy, including respecting central bank independence. On balance, however, the PEN was down on the week (chart 3). The stock market responded negatively to the prospect of a left-of-centre government that promises to raise corporate taxes (chart 4). Political uncertainty from a disputed election is likely to weigh on financial markets in the weeks ahead, possibly leading to continued widening of credit default spread (CDS) spreads, which began to widen in late-2020 (chart 6).
- **Large, sustained political protests in Colombia may likewise account for the rise in the 10-year CDS spread (chart 6).**
- **In Mexico, in contrast, equity markets responded positively to its June 6 mid-term election results, which reduced the ruling party's super-majority in Congress' Lower House to a simple majority and, going forward, will limit President AMLO's capacity to initiate far-reaching reforms contingent on constitutional changes.** Investors may view the resulting constraint on policy making as limiting one source of possible policy uncertainty.

## YIELD CURVES CHARTS

- **For the most part, yield curves across the region have been remarkably stable over the past month.**
- **The Argentina Sovereign Curve remains deeply inverted following a sharp rise of over 3,000 basis points at the short end of the curve earlier in the year (charts 1 and 2).**
- **Elsewhere in the region, sovereign curves that shifted up in line with global rates in early-2021 remain largely unchanged from a month ago, though the sovereign curves of Brazil (chart 3) and Chile (chart 5) moved slightly higher.**
- **Mexico is the exception, with the short-end of the curve (one-year M-Bono rates) returning to levels seen at the start of year and medium-term rates moving higher (charts 9 and 10).** With these changes across the maturity spectrum, the Mexican sovereign curve is now back to where it was at the start of year.

## KEY COVID-19 CHARTS

- **As noted above, the critical takeaway from our COVID-19 monitoring charts remains Chile's success in administering vaccine doses.** It not only leads the region in terms of doses administered per 100 people (chart 10) but is also outperforming most other countries (chart 11). This outstanding performance creates the basis for sustained economic recovery and underscores the importance for other countries in the region to accelerate vaccine rollouts.

## Key Economic Charts

Chart 1

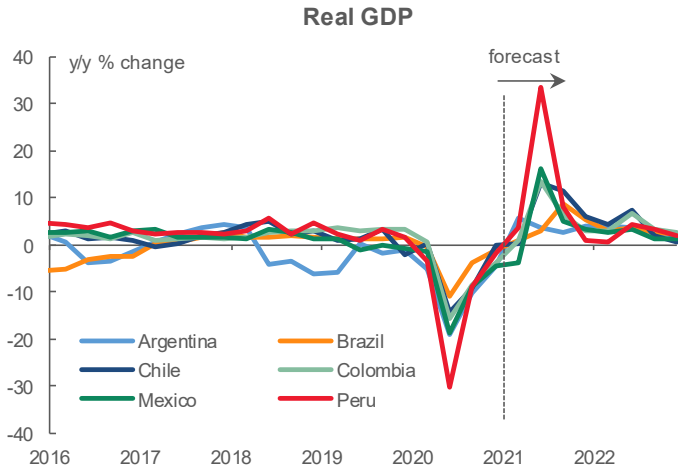


Chart 2

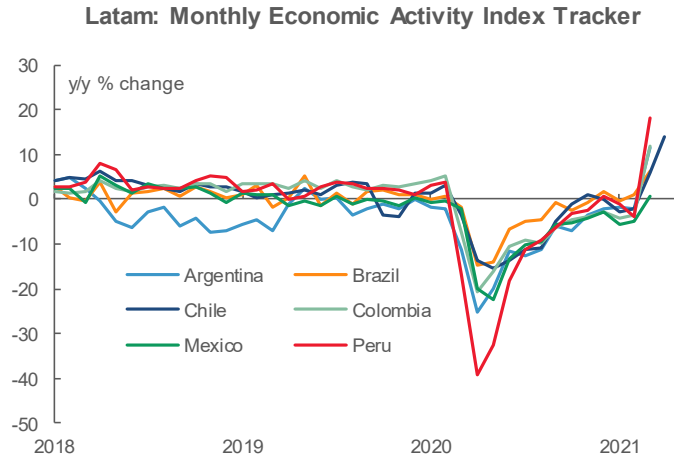


Chart 3

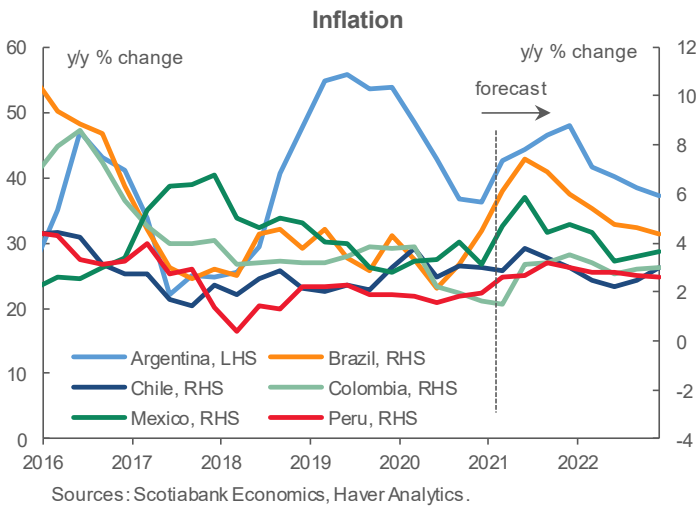


Chart 4

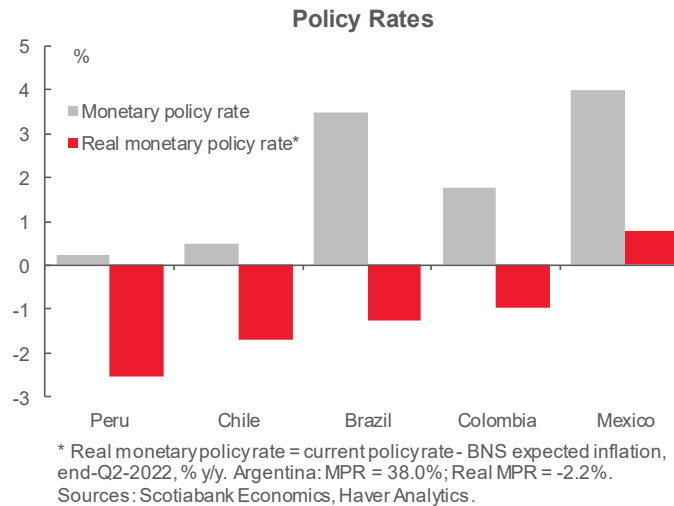


Chart 5

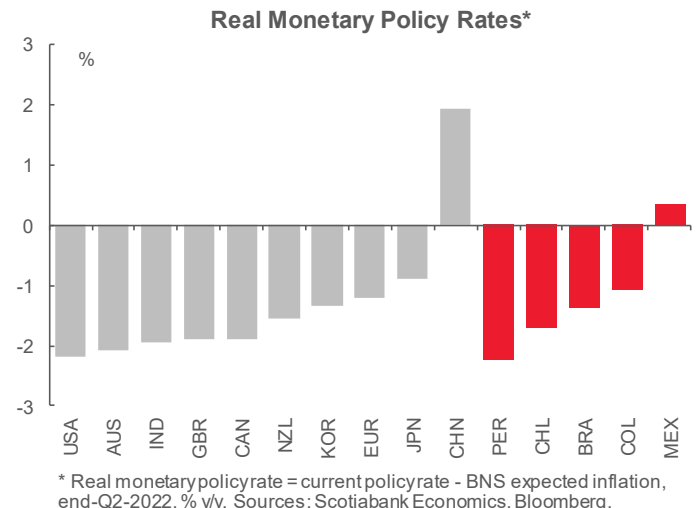
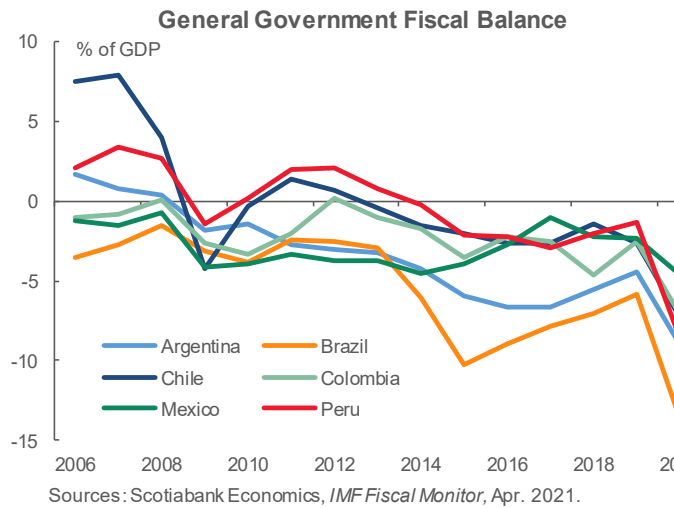


Chart 6



## Key Economic Charts

Chart 7

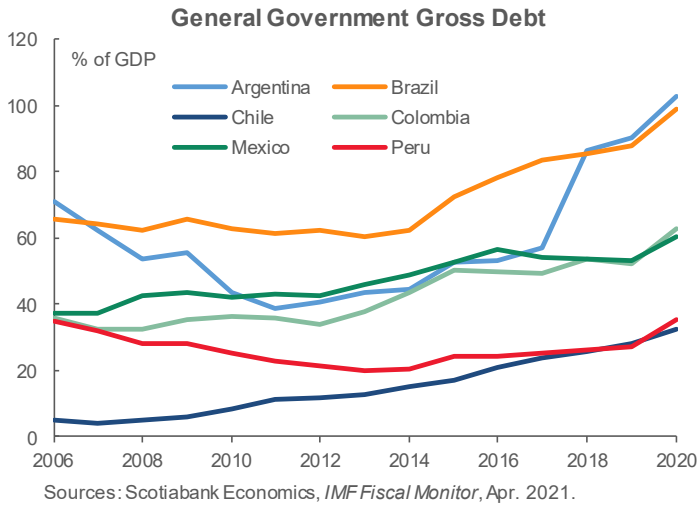


Chart 8



Chart 9

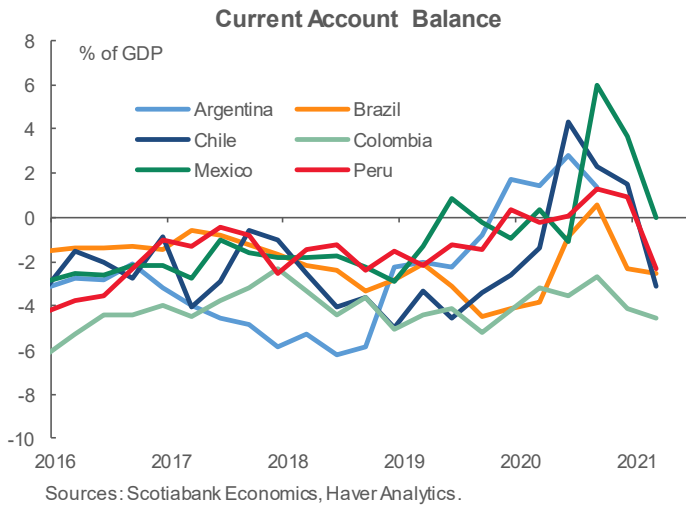
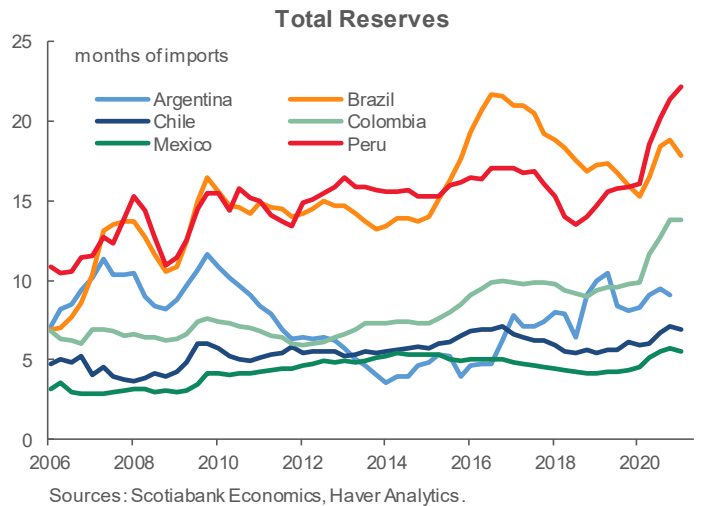


Chart 10



## Key Market Charts

Chart 1

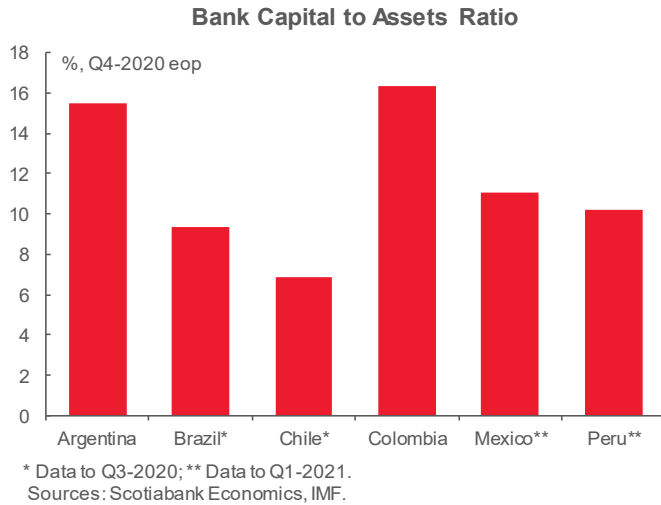


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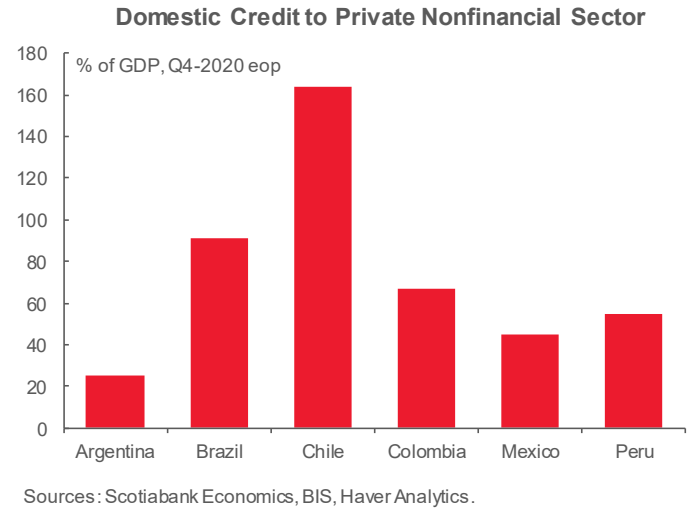


Chart 3

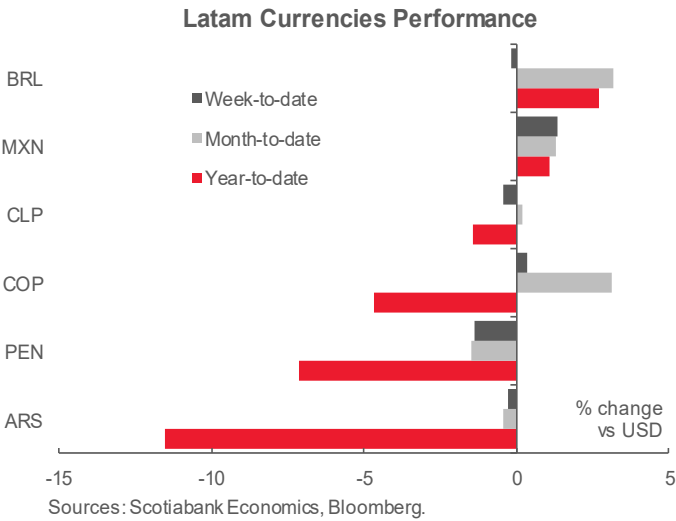


Chart 4

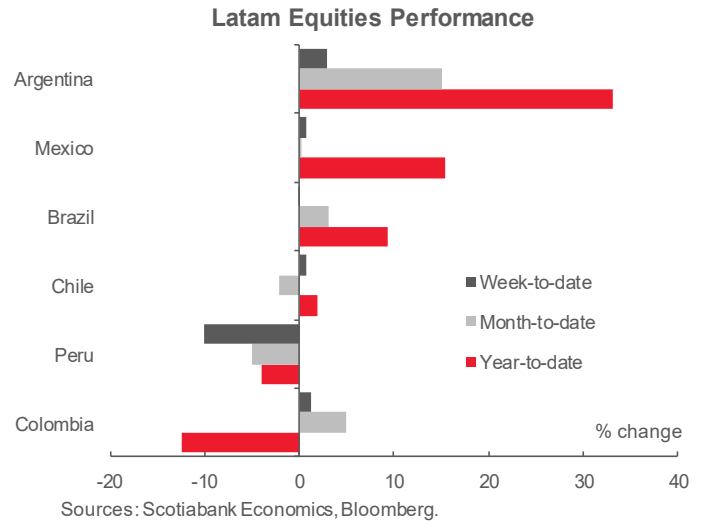


Chart 5

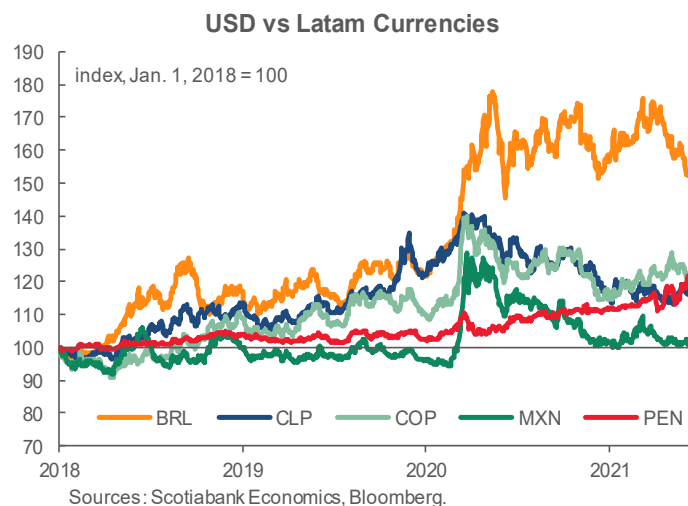
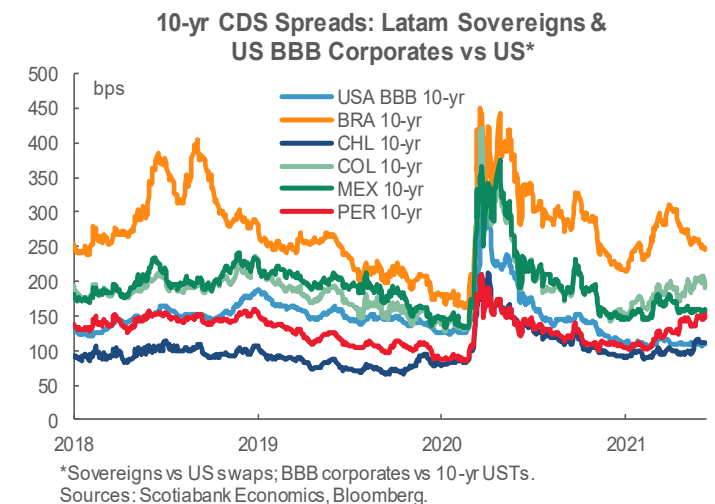
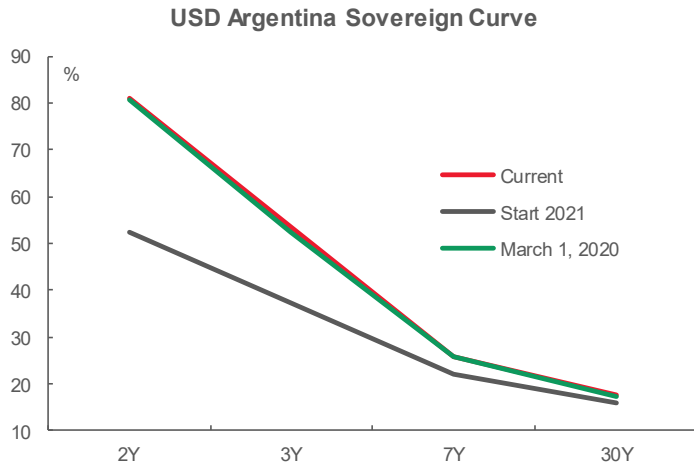


Chart 6



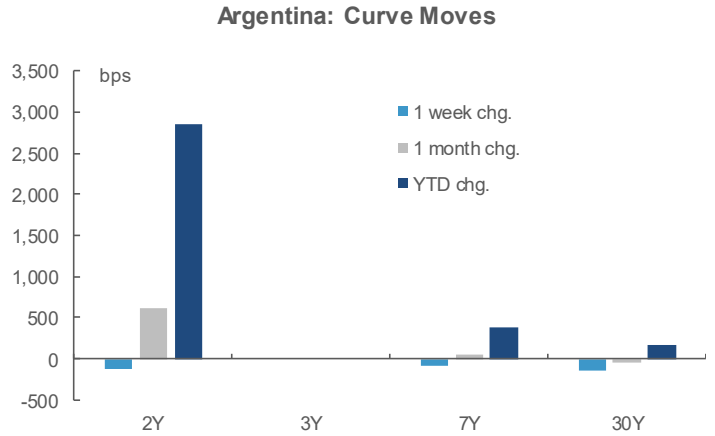
## Yield Curves

Chart 1



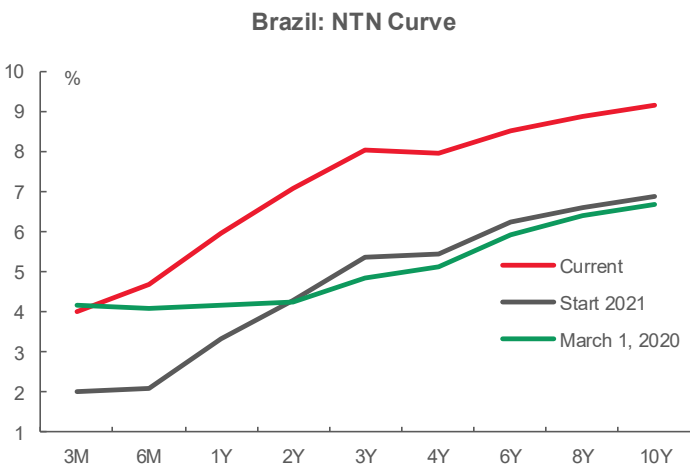
Sources: Scotiabank Economics, Bloomberg.

Chart 2



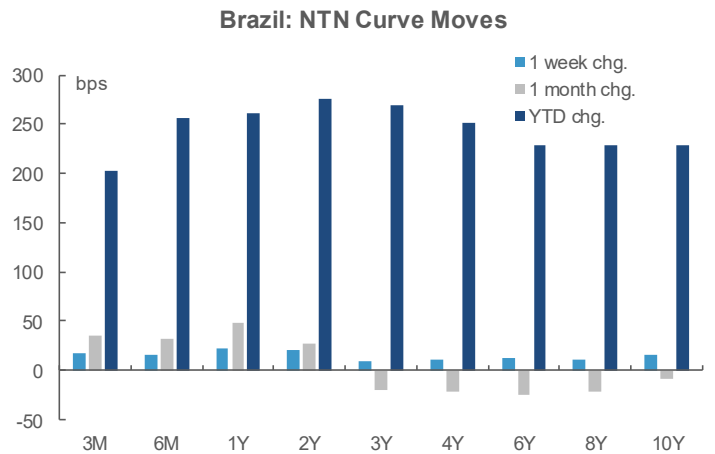
Sources: Scotiabank Economics, Bloomberg.

Chart 3



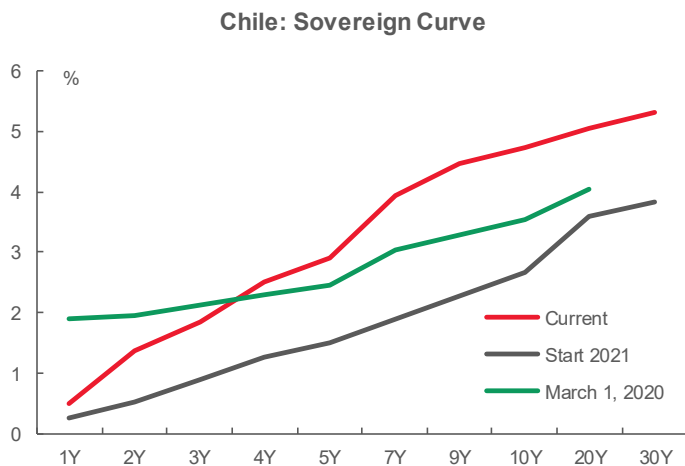
Sources: Scotiabank Economics, Bloomberg.

Chart 4



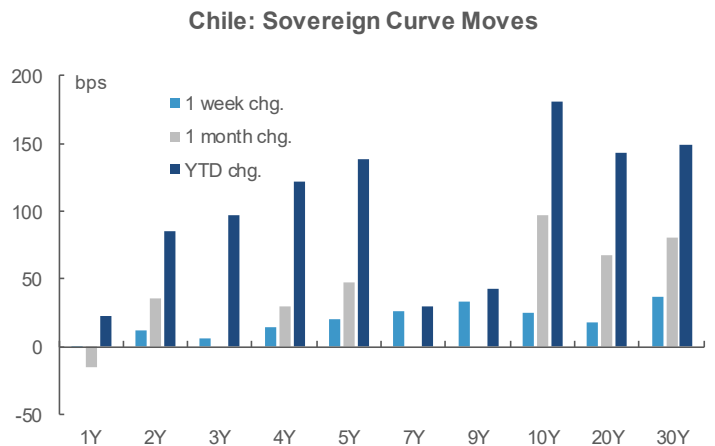
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

Chart 6



Sources: Scotiabank Economics, Bloomberg.

## Yield Curves

Chart 7

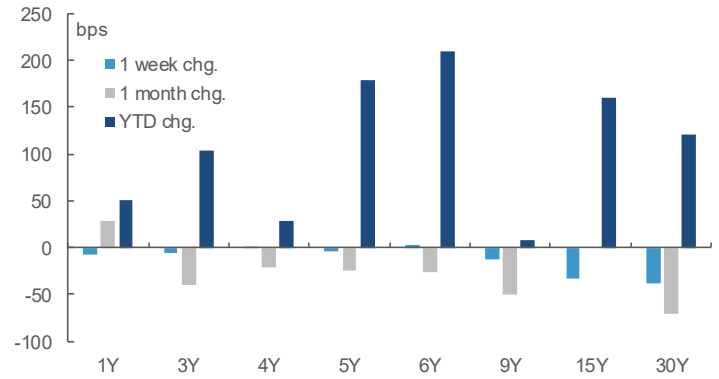
Colombia: Coltes Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 8

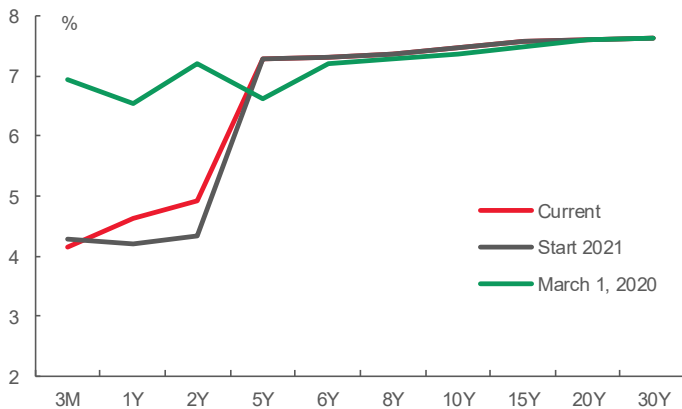
Colombia: Coltes Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 9

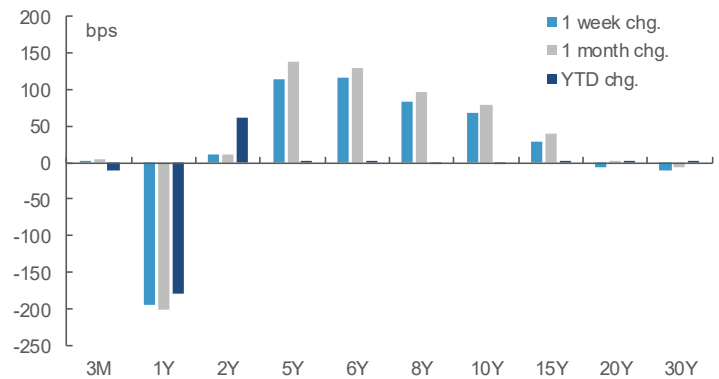
Mexico: M-Bono Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 10

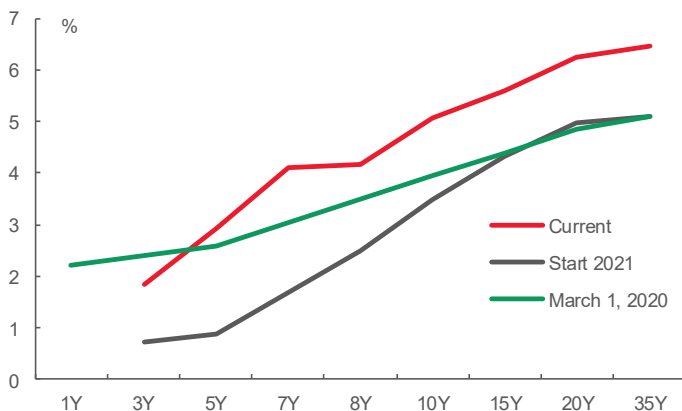
Mexico: M-Bono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 11

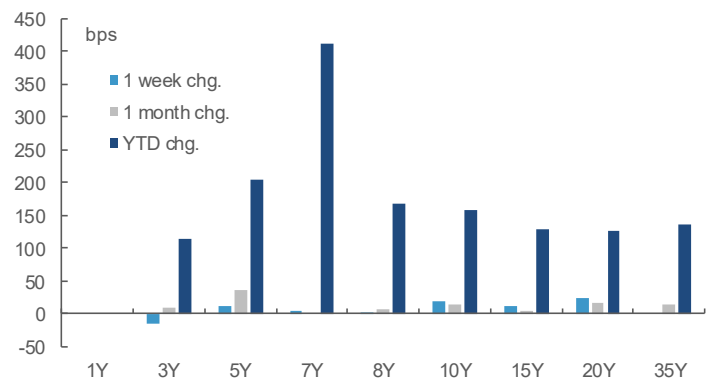
Peru: Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 12

Peru: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

## Key COVID-19 Charts

Chart 1

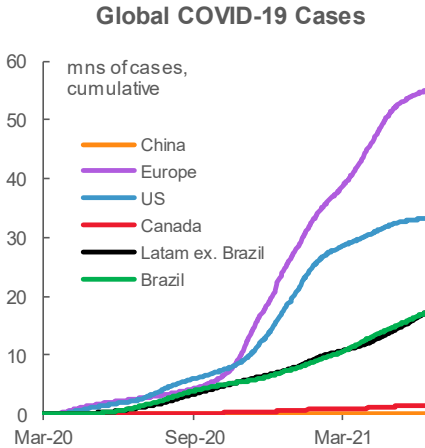


Chart 2

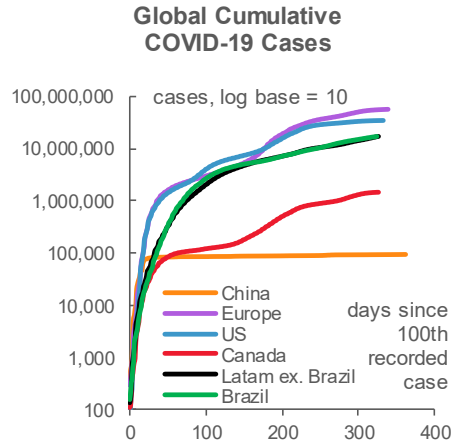


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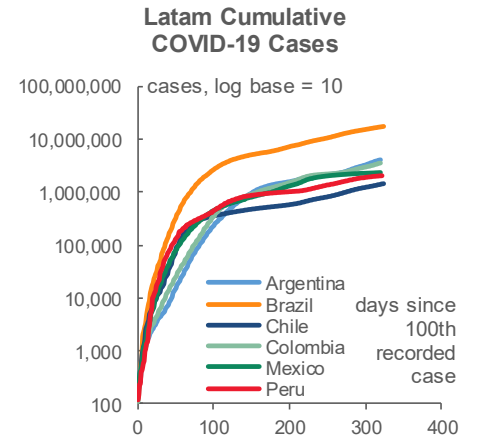


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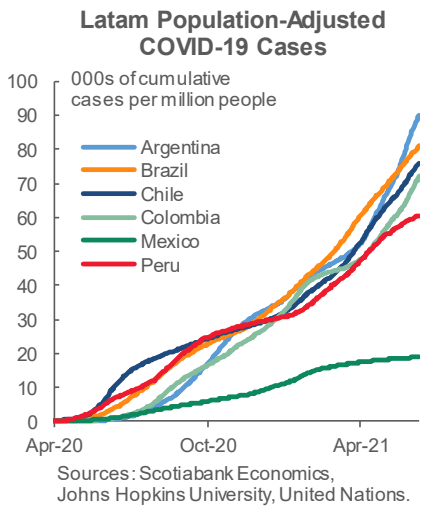


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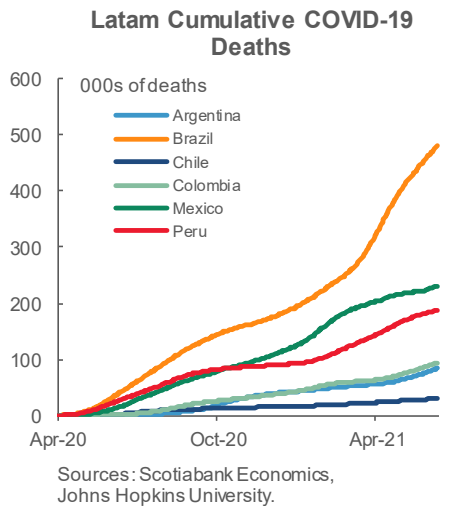


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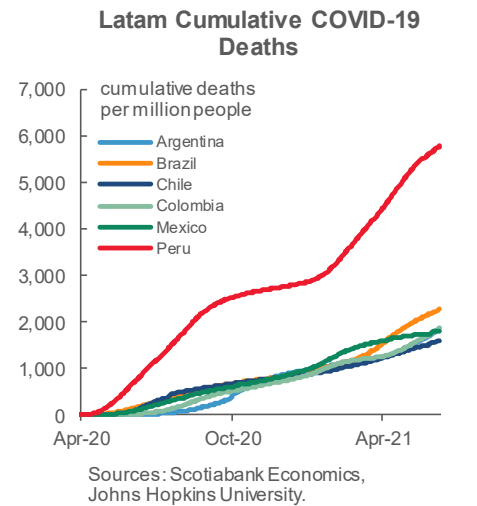


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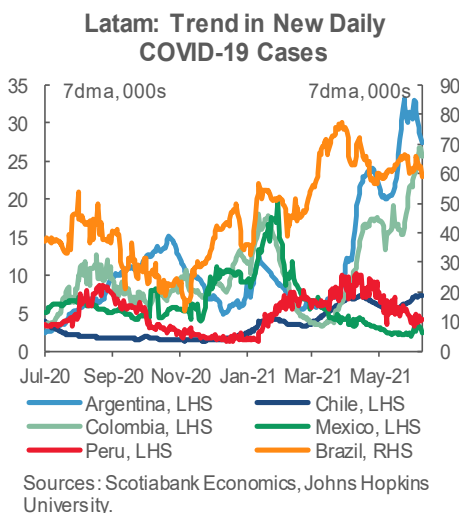


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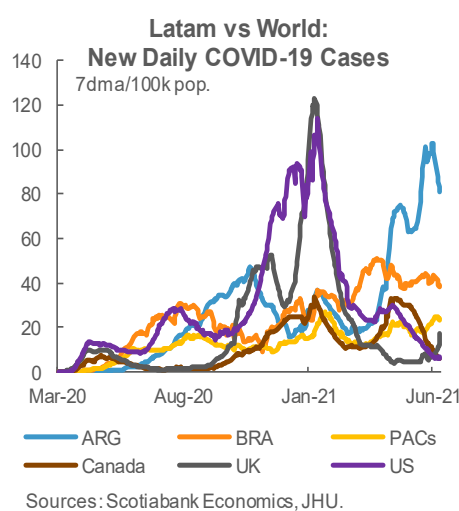
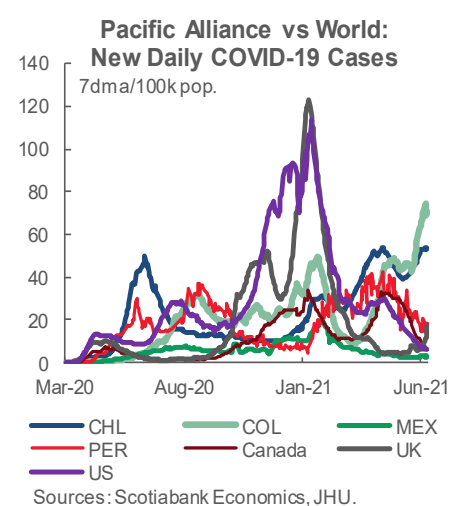


Chart 9





## Key COVID-19 Charts

Chart 10

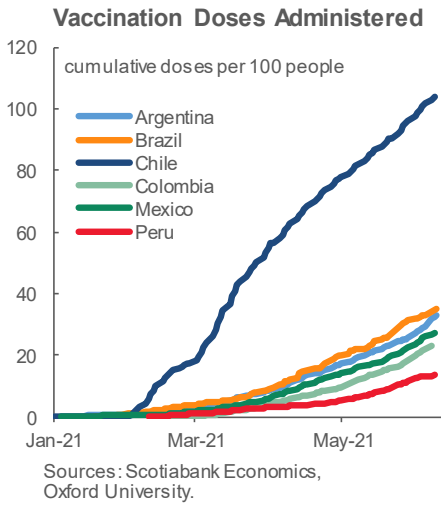


Chart 11

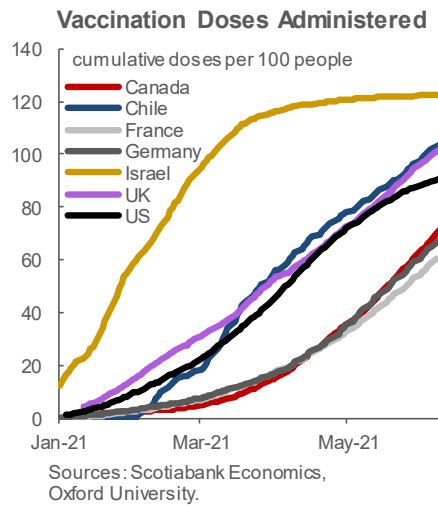
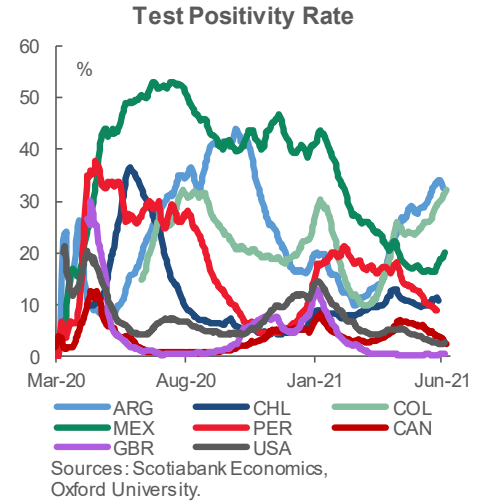


Chart 12



## Market Events & Indicators for June 12–18

### ARGENTINA

Date	Time	Event	Period	BNS	Consensus	Latest BNS Comments
06/15	15:00	Capacity Utilization (%)	Apr	--	--	64.5
06/16	15:00	Greater Buenos Aires CPI (m/m)	May	--	--	4.1
06/16	15:00	Greater Buenos Aires CPI (y/y)	May	--	--	44.2
06/16	15:00	National CPI (m/m)	May	--	--	4.1 Sequential inflation is set to remain at or above 4% m/m and could go higher in June owing to
06/16	15:00	National CPI (y/y)	May	--	--	46.3 the impact of the new strict lockdown that started May 31.

### BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest BNS Comments
06/14	8:00	Economic Activity (m/m)	Apr	--	0.7	-1.6
06/14	8:00	Economic Activity (y/y)	Apr	19.8	17.7	6.3
06/14	14:00	Trade Balance Weekly (USD, mn)	13-Jun	--	--	2,425.1
JUN 15-18		FGV Inflation IGP-10 (m/m)	Jun	--	2.6	3.2
06/16	7:00	FGV CPI IPC-S	15-Jun	--	--	0.8
06/16	17:30	Selic Rate (%)	16-Jun	4.25	4.25	3.50 Copom front-loading hikes to enable only "partial" normalization with a 7% terminal.
06/17	4:00	FIPE CPI - Weekly	15-Jun	--	--	0.5

### CHILE

Date	Time	Event	Period	BNS	Consensus	Latest BNS Comments
No scheduled releases.						

### COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest BNS Comments
06/15	11:00	Manufacturing Production (y/y)	Apr	59.4	63.9	20.7 Economic activity likely slowed in April amid lockdowns in major cities, but skewed 2020 base effects
06/15	11:00	Retail Sales (y/y)	Apr	77.0	--	20.1 still imply very strong y/y gains.
06/15	15:00	Industrial Production (y/y)	Apr	--	--	9.1
06/15		Central Bank Economist Survey				
06/18	12:00	Economic Activity NSA (y/y)	Apr	25.1	--	11.8

### MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest BNS Comments
06/12	13:00	Formal Job Creation Total	May	--	--	44.8
06/15	10:00	International Reserves Weekly (USD, mn)	11-Jun	--	--	193,770.0
06/18	7:00	Aggregate Supply and Demand	1Q	--	--	-5.1

### PERU

Date	Time	Event	Period	BNS	Consensus	Latest BNS Comments
06/15	11:00	Lima Unemployment Rate (%)	May	--	--	15.1
06/15		Economic Activity (y/y)	Apr	40.0	--	18.2 Driven by lockdown-related base effects from April 2020.

## Scotiabank Economics Latam Coverage



### Local Market Coverage

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**Subscribe:** [carlos.munoz@scotiabank.cl](mailto:carlos.munoz@scotiabank.cl)  
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**Website:** Forthcoming  
**Subscribe:** [jackeline.pirajan@scotiabankcolpatria.com](mailto:jackeline.pirajan@scotiabankcolpatria.com)  
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