

Contributors

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Latam Charts: So Far, So Good

- Financial markets around the globe continue to be buffeted by turbulence.
- Further commodity price shocks or additional supply-side disruptions, combined with US dollar appreciation could create strong headwinds going forward. But thus far, at least, there is little indication that high volatility is spilling over to growth prospects.
- In this respect, for Latam economies moving from recovery to expansion, the current conjuncture could be summed up as “so far, so good.”

Global financial markets continue to be subject to increased volatility as markets price-in higher inflation and the increase in advanced country interest rates that must ineluctably follow. To this point, however, there has been little sign of contagion from asset markets to the “real” economy (output and demand). That is probably as expected given the “orderly” adjustment process—or at least absence of a gut-wrenching dégringolade like March 2020 or October 2008—thus far. That said, the effects of US dollar appreciation on Latam economies, as investor risk appetite shifts, should be monitored closely. And further commodity price or supply chain shocks that propagate still higher inflation would clearly be worrisome. But, for now, the economic conjuncture can be summed up as “so far, so good.”

KEY ECONOMIC CHARTS

For now, Latam economies continue to recover from the pandemic-induced collapse in output, with the region’s economies on track to return to pre-COVID-19 growth paths (chart 1). In Chile, the transition to long-run growth may entail a technical recession, reflecting the remarkably vigorous bounce-back in 2021, but elsewhere in the region recession risks are low. Nevertheless, as noted above, it will be important to watch monthly activity indicators (chart 2) for signs of incipient weakness.

The biggest risk to the outlook is inflation, which has risen steadily across the region (chart 3). Latam central banks have tightened monetary conditions, raising key policy rates (chart 4) to keep inflation expectations firmly anchored to inflation-targeting ranges. In this respect, the region’s central banks have led most of their international peers in terms of generating positive real policy rates (chart 5); they have certainly been proactive as compared to advanced economy counterparts.

Economic recovery has led to improvement in fiscal balances (chart 6), as growth has raised GDP, while the extraordinary support provided throughout the pandemic has been scaled back. A return to fiscal targets consistent with long-term fiscal sustainability would help address investors’ concerns. Doing so would also bring down gross debt as a share of GDP (chart 7) as well as external debt as a share of GDP (chart 8). And fiscal probity would help contain burgeoning current account deficits (chart 9), though there is no automatic adjustment process between the two, and bolster external resilience. Going forward, while there is no immediate cause for concern, large current account deficits in Colombia, Chile, and Peru warrant monitoring, along with external reserves (chart 10), for signs of deterioration.

KEY MARKETS CHARTS

Financial markets in the Latam region have not been immune to the volatility affecting advanced economy markets. Despite the enormous uncertainty that clouds the near-term outlook, however, most markets have performed reasonably well. Currencies which had appreciated vis-à-vis the US dollar through the first couple of months have retreated somewhat in the wake of Russia’s invasion of Ukraine and heightened geopolitical risks

(chart 3). The currencies of Brazil, Peru, and Mexico are all up on the dollar since the start of 2022; other regional currencies have depreciated. Similarly, the strong performance of regional equity markets earlier in the year is now more mixed. While most markets are still up on the year, Mexican and Peruvian markets have fallen back. In part, these markets may be affected by uncertainty with respect to investment climate; a factor that is also visible in a longer-term perspective on currency markets (chart 5) in the case of Peru. At the same time, increased economic risks associated with higher inflation may be contributing to a widening of CDS spreads on regional sovereign bonds (chart 6).

YIELD CURVE CHARTS

Yield curves across the Latam region are now largely inverted or flat. Colombia and Peru are exceptions here. Given that inverted yield curves can be a signal of a possible recession—though not a foolproof one—increased attention may be put on these indicators in the weeks and months ahead.

COVID-19 CHARTS

While much of the world seems to be operating “as if” the pandemic is past, the situation in China is a reminder that, while we may be through with COVID-19, it may not be finished with us. Rising caseloads in many countries highlight the possibility of another wave, with the potential economic implications that could entail. Key indicators are provided in charts 1–12.

Key Economic Charts

Chart 1

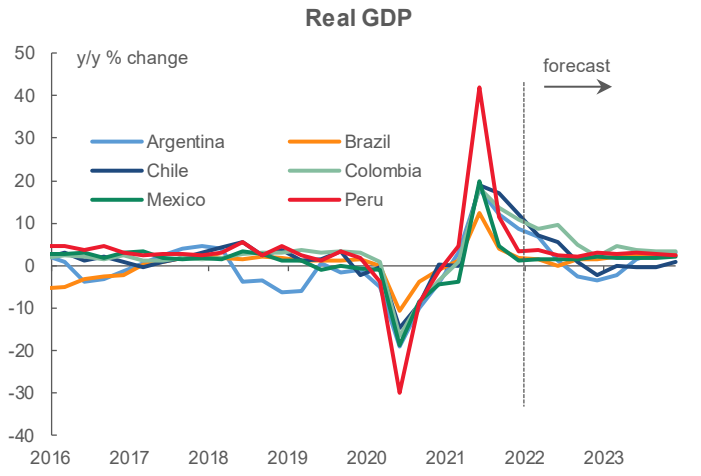


Chart 2

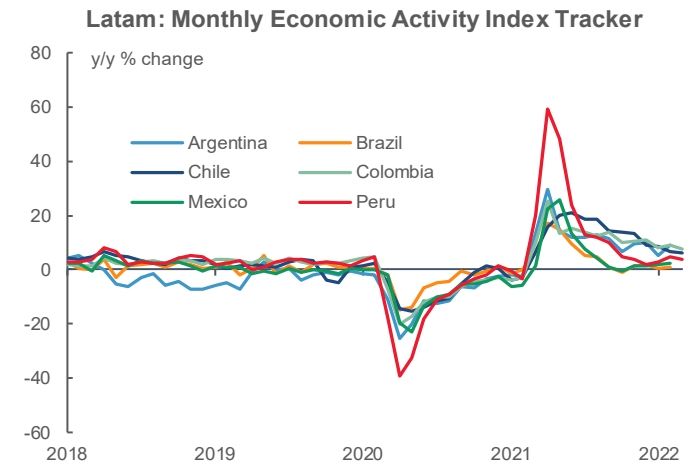


Chart 3

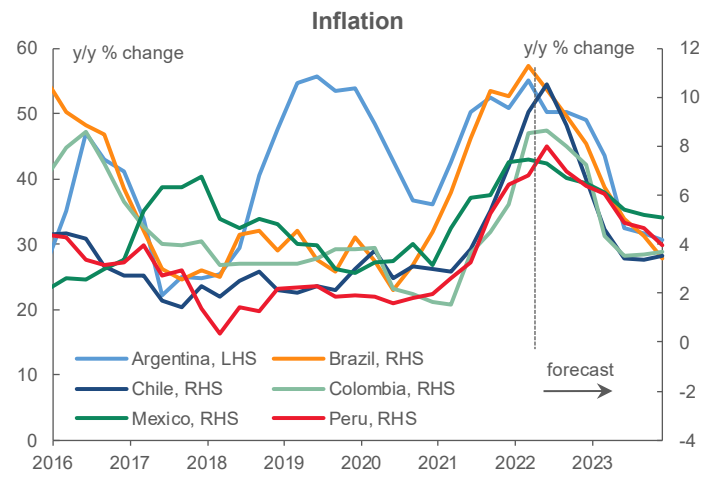


Chart 4

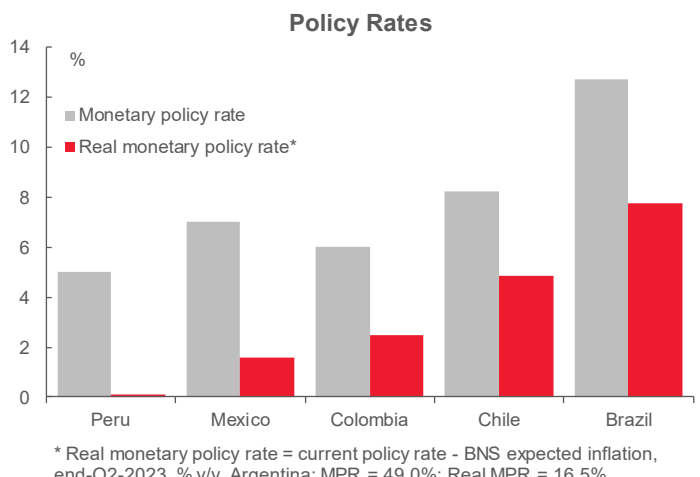


Chart 5

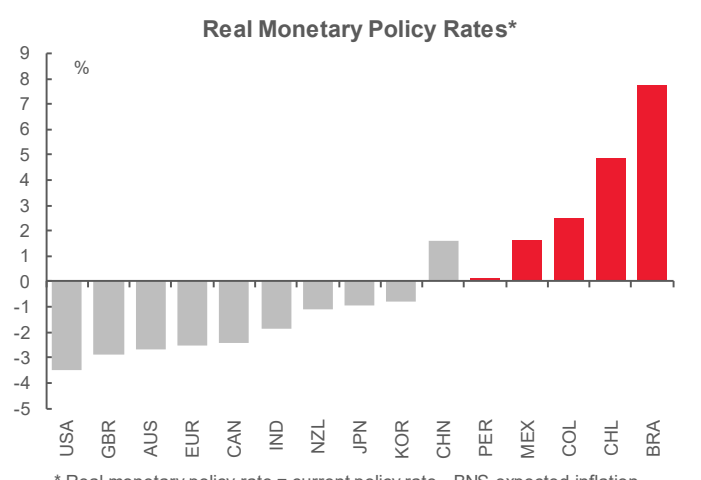
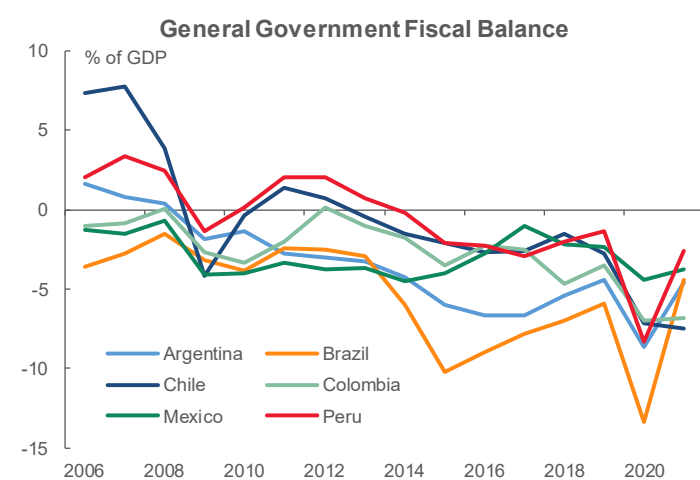
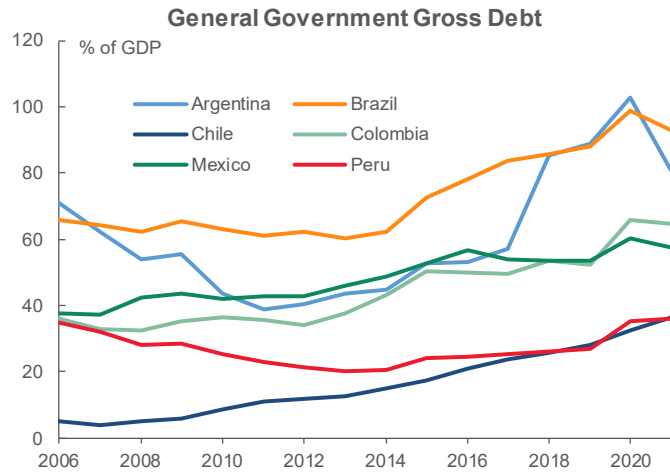


Chart 6



Key Economic Charts

Chart 7



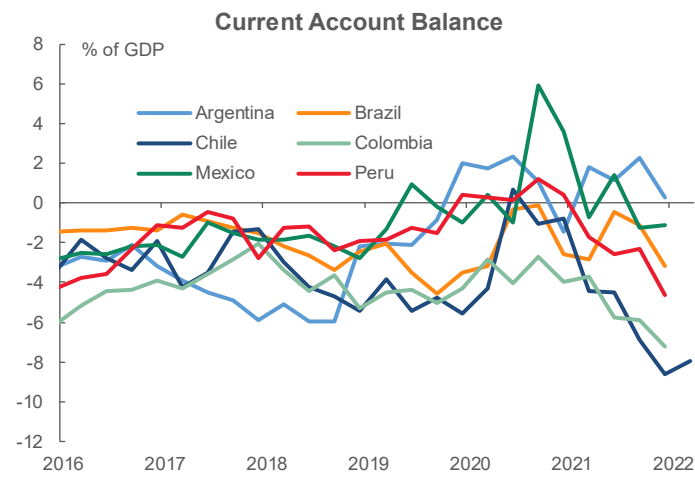
Sources: Scotiabank Economics, IMF Fiscal Monitor, Apr. 2021.

Chart 8



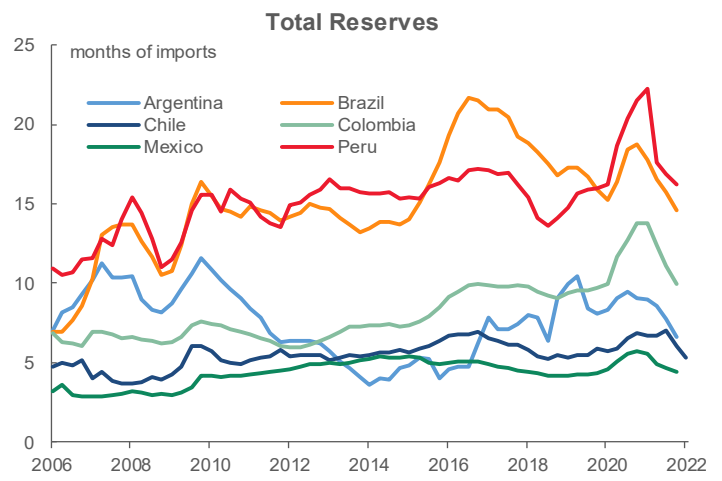
Sources: Scotiabank Economics, Haver Analytics.

Chart 9



Sources: Scotiabank Economics, Haver Analytics.

Chart 10

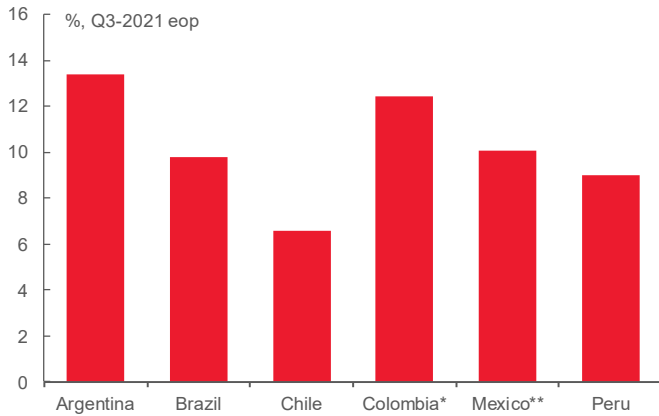


Sources: Scotiabank Economics, Haver Analytics.

Key Market Charts

Chart 1

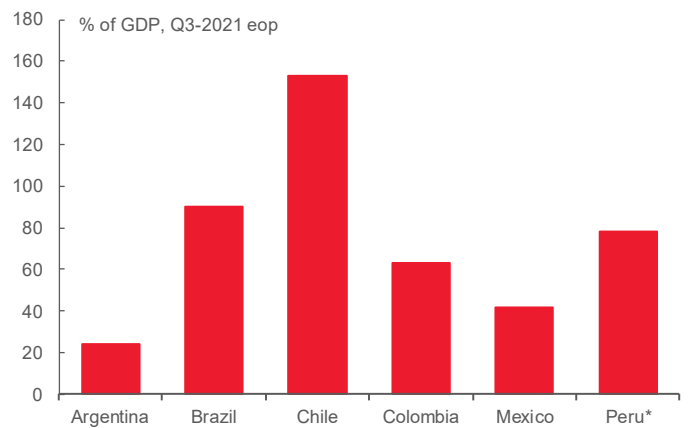
Bank Capital to Assets Ratio



* Data to Q4-2021. ** Data to Q1-2021. Sources: Scotiabank Economics, IMF.

Chart 2

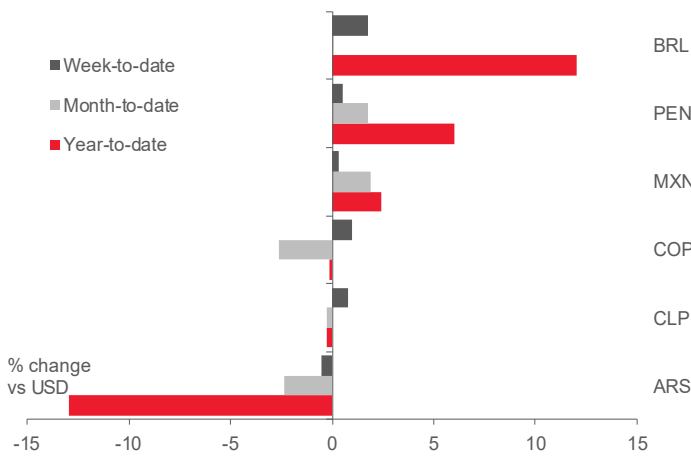
Domestic Credit to Private Nonfinancial Sector



* Data to Q4-2021. Sources: Scotiabank Economics, BIS, Haver Analytics.

Chart 3

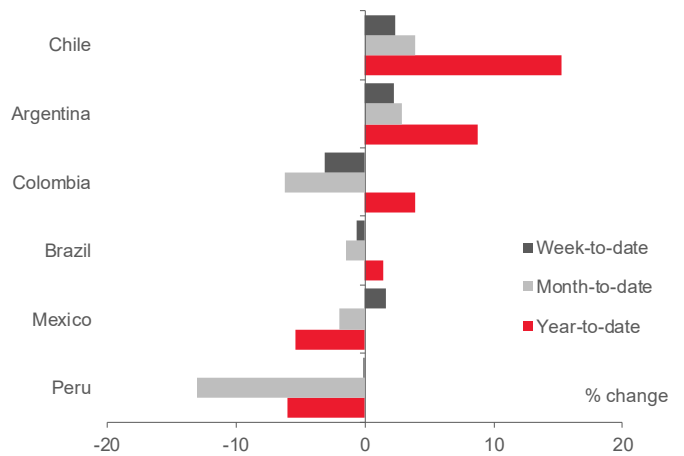
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 4

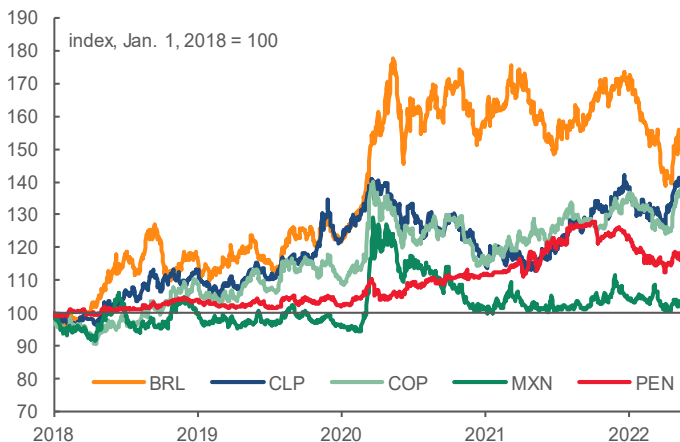
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 5

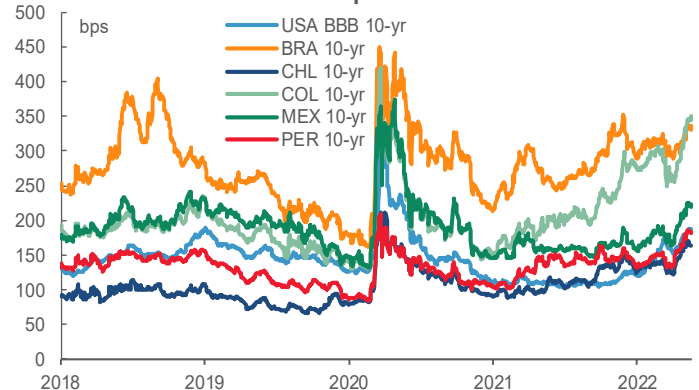
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 6

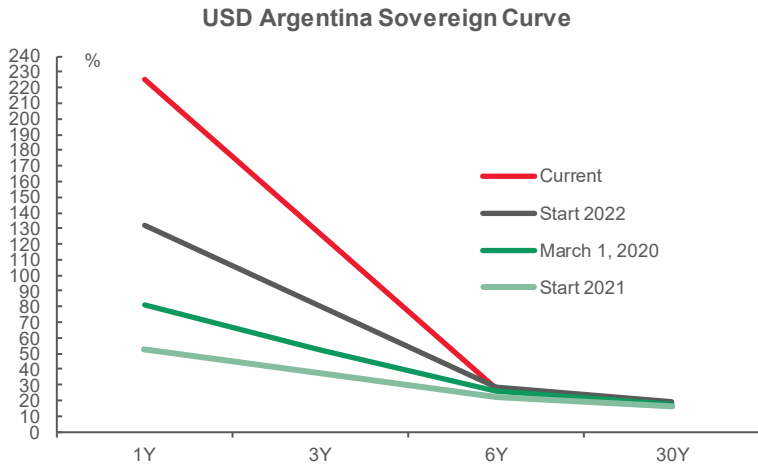
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



*Sovereigns vs US swaps; BBB corporates vs 10-yr USTs. Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 1



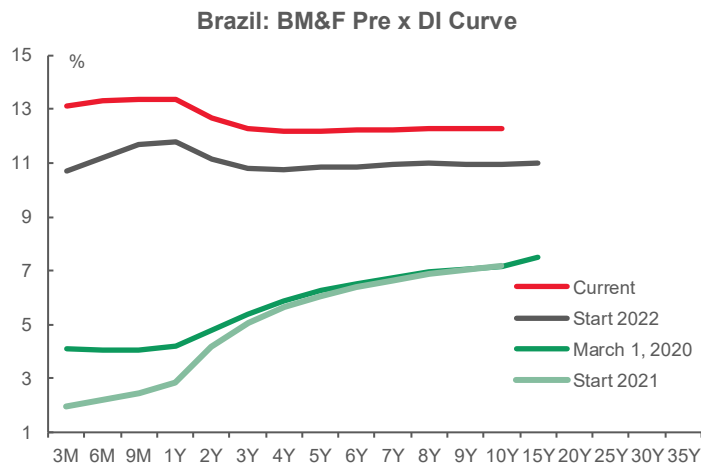
Sources: Scotiabank Economics, Bloomberg.

Chart 2



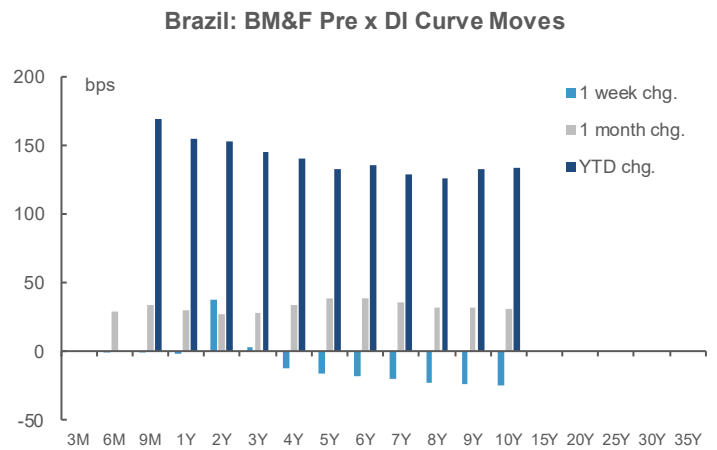
Sources: Scotiabank Economics, Bloomberg.

Chart 3



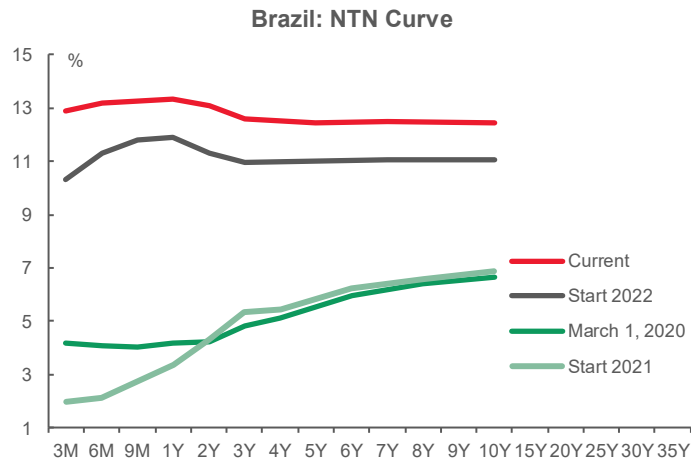
Sources: Scotiabank Economics, Bloomberg.

Chart 4



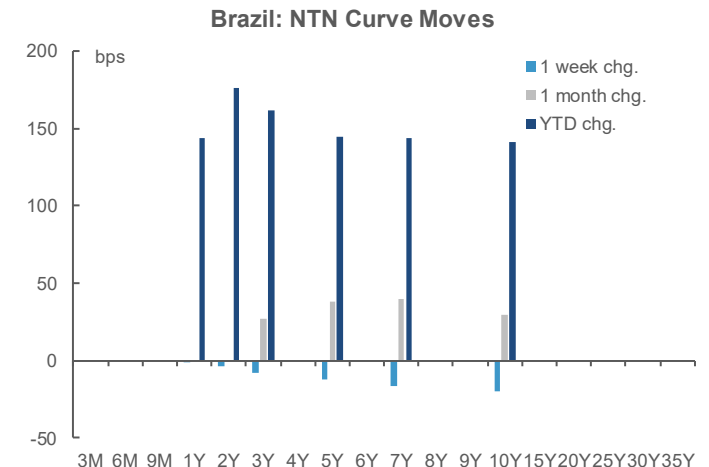
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

Chart 6

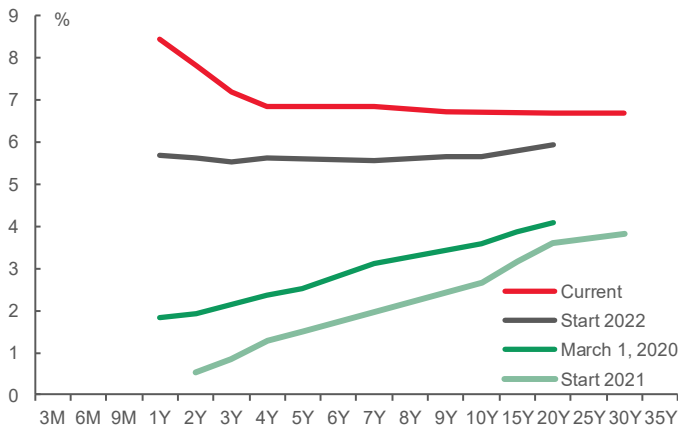


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 7

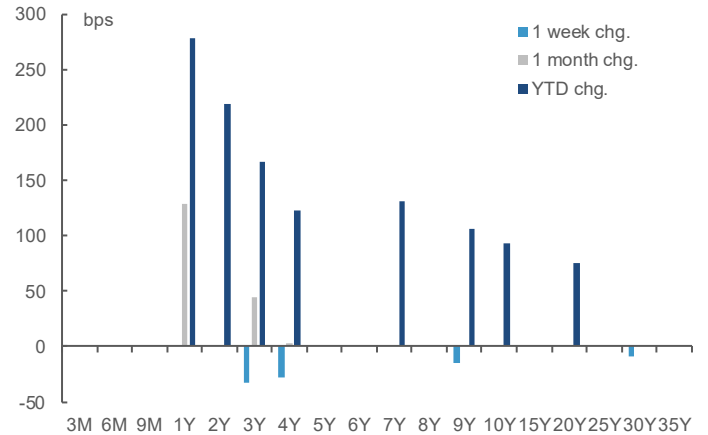
Chile: Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 8

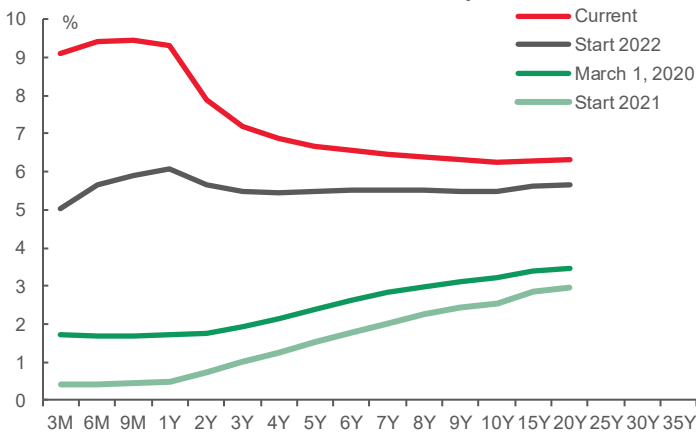
Chile: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 9

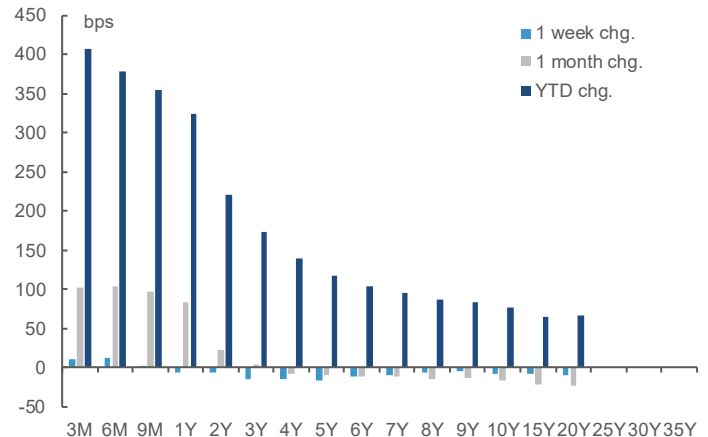
Chile: Fixed x Camara Swap Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 10

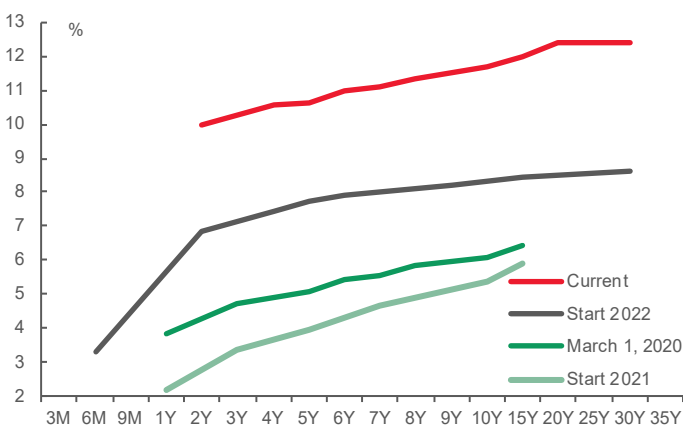
Chile: Fixed x Camara Swap Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 11

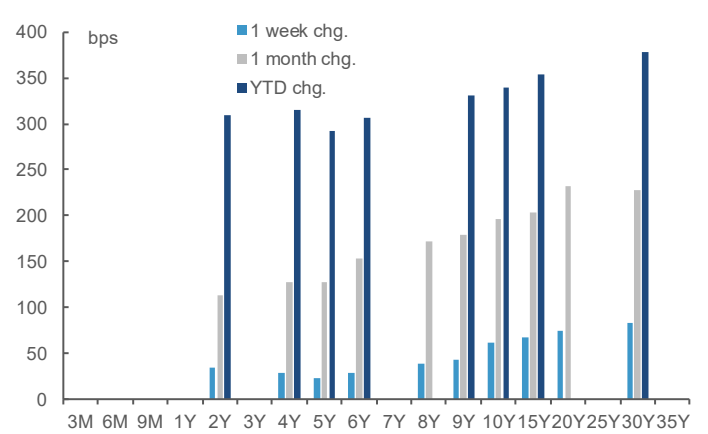
Colombia: Coltes Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 12

Colombia: Coltes Curve Moves

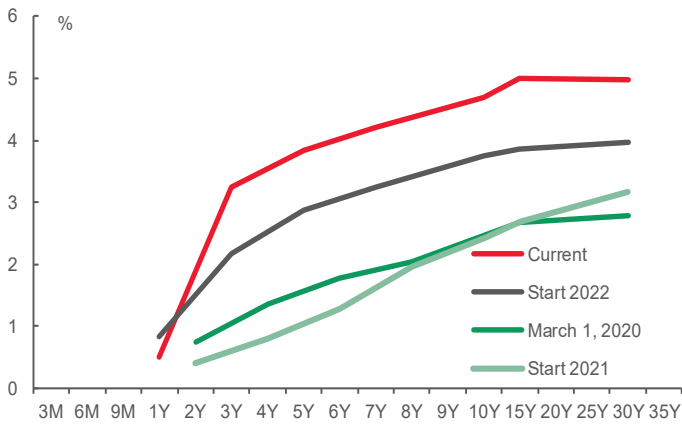


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 13

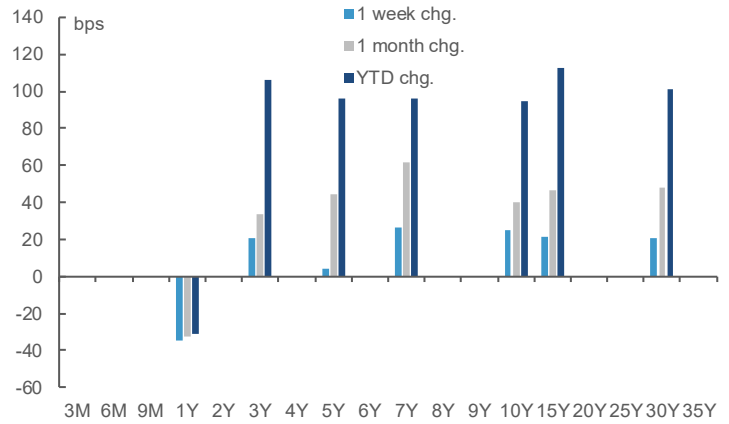
Colombia: UVR-Indexed Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 14

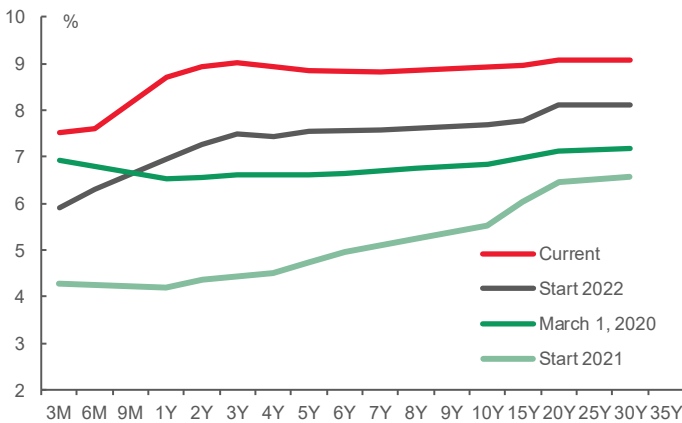
Colombia: UVR-Indexed Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 15

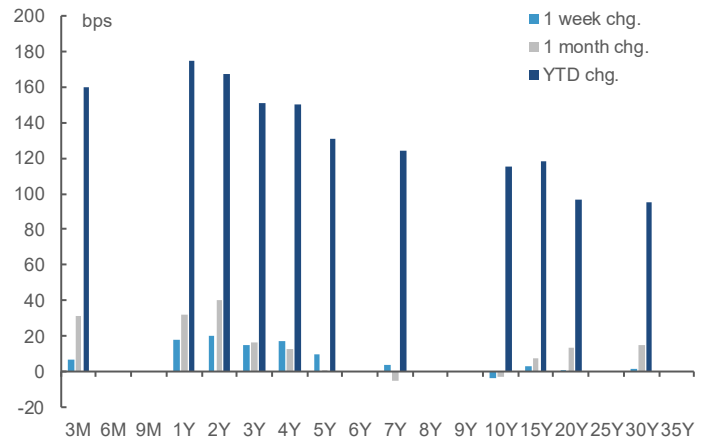
Mexico: M-Bono Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 16

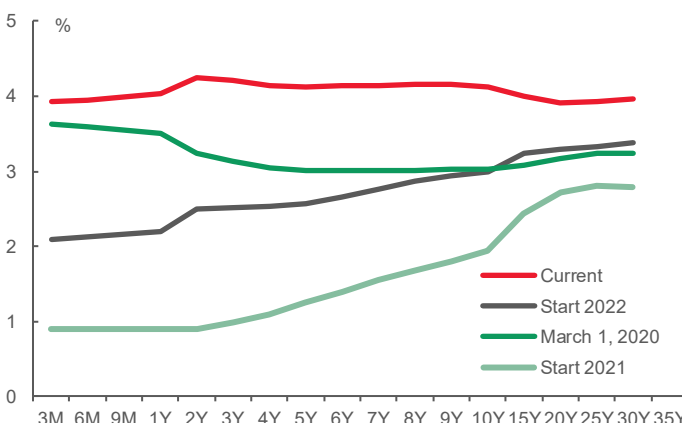
Mexico: M-Bono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 17

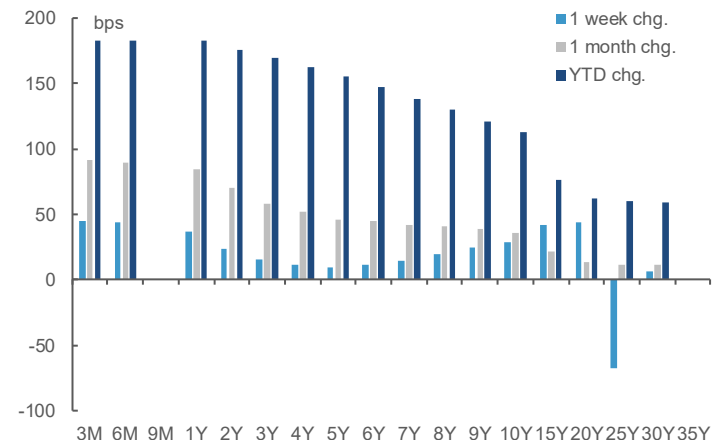
Mexico: Udibonos BVAL Yield Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 18

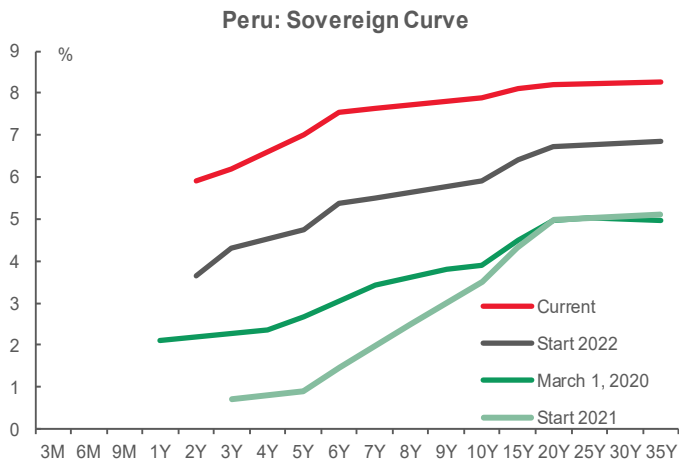
Mexico: Udibono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

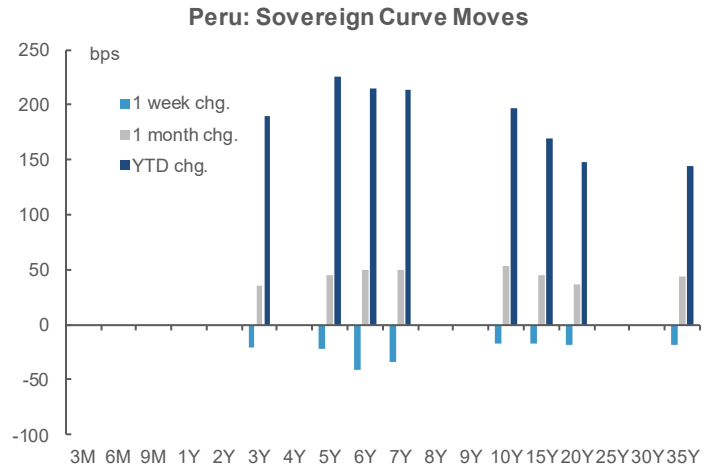
Yield Curves

Chart 19



Sources: Scotiabank Economics, Bloomberg.

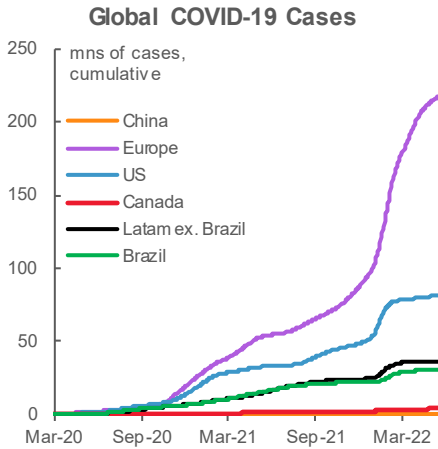
Chart 20



Sources: Scotiabank Economics, Bloomberg.

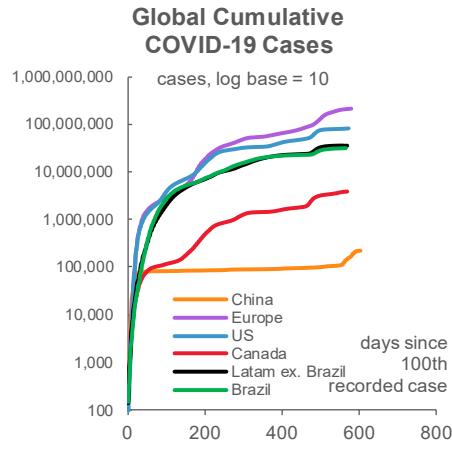
Key COVID-19 Charts

Chart 1



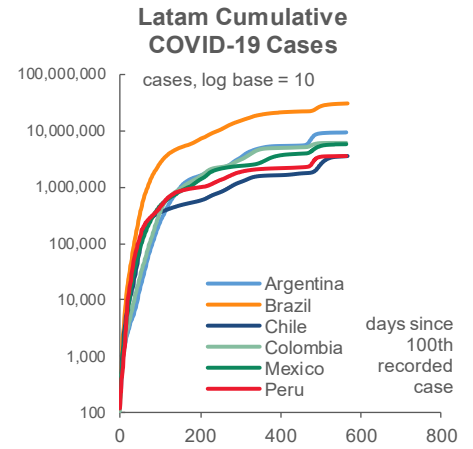
Sources: Scotiabank Economics, Johns Hopkins University, Oxford University.

Chart 2



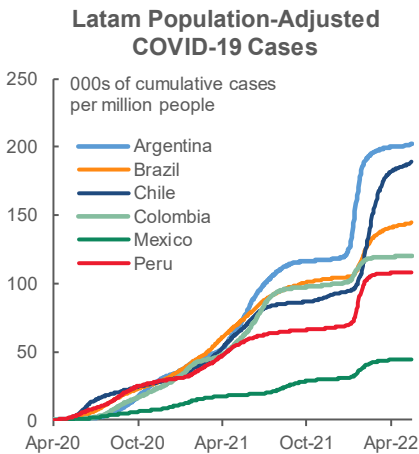
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 3



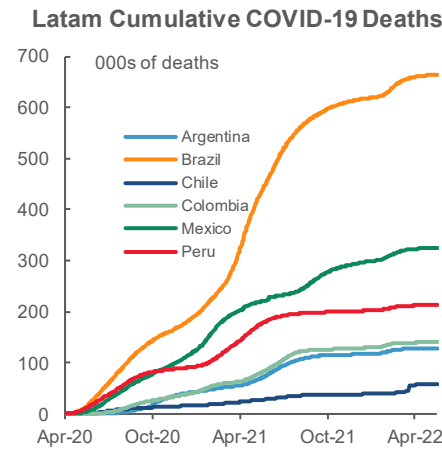
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 4



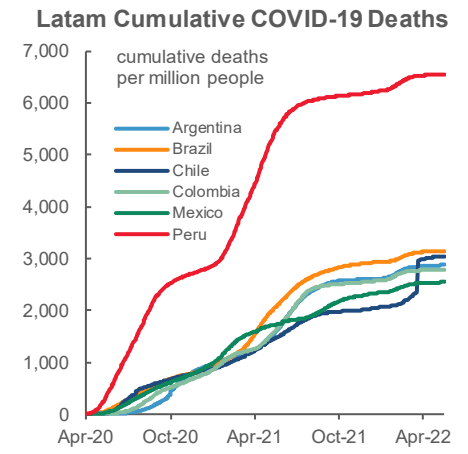
Sources: Scotiabank Economics, Johns Hopkins University, United Nations.

Chart 5



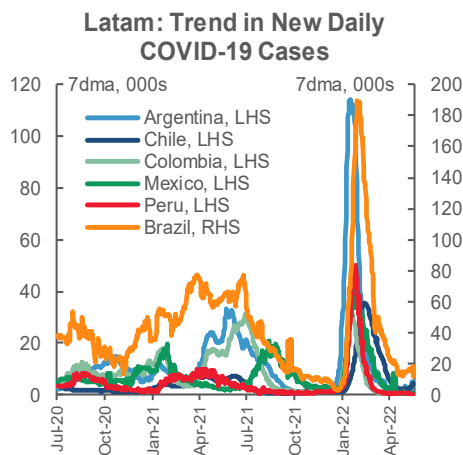
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 6



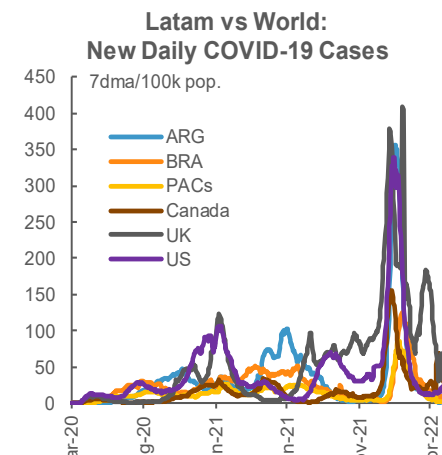
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 7



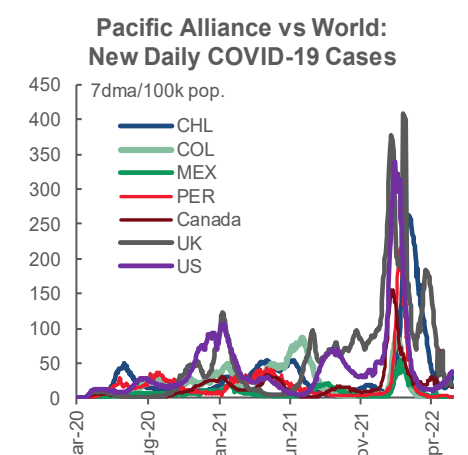
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 8



Sources: Scotiabank Economics, JHU.

Chart 9



Sources: Scotiabank Economics, JHU.

Key COVID-19 Charts

Chart 10

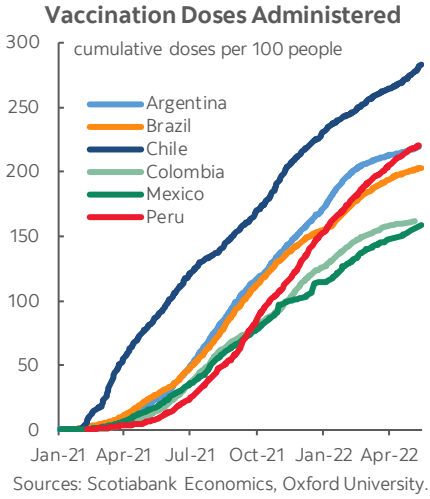


Chart 11

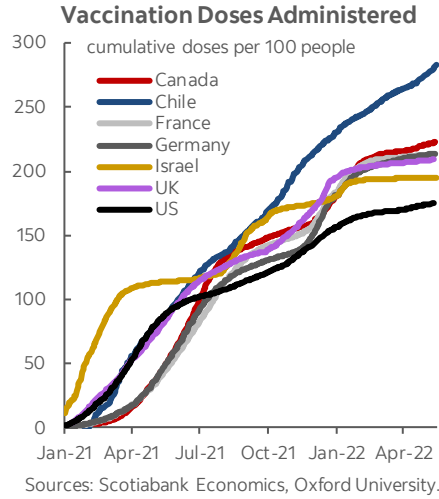
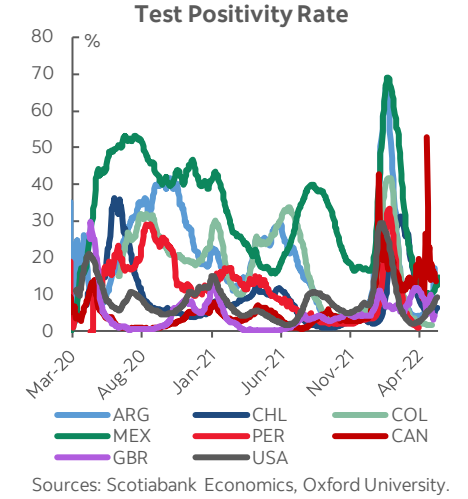


Chart 12



Market Events & Indicators for May 20–June 3

ARGENTINA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
May-20	Budget Balance (ARS mn)	Apr	--	-102.8	-99753.3	
May-24	15:00 Shop Center Sales (y/y)	Mar	--	--	32.9	
May-24	15:00 Supermarket Sales (y/y)	Mar	--	--	6.62	
May-26	Consumer Confidence Index (%)	May	--	--	35.72	
Jun-03	Central Bank Survey		--	--	--	
Jun-03	Vehicle Domestic Sales Adefa	May	--	--	30861	
Jun-03	Vehicle Exports Adefa	May	--	--	27431	
Jun-03	Vehicle Production Adefa	May	--	--	43826	
June 1-5	Government Tax Revenue (ARS bn)	May	--	--	1341.5953	

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
May-23	7:00 FGV CPI IPC-S (%)	22-May	--	--	0.41	
May-23	7:25 Central Bank Weekly Economist Survey		--	--	--	
May-23	14:00 Trade Balance Weekly (USD mn)	21-May	--	--	495.7	
May-24	8:00 IBGE Inflation IPCA-15 (m/m)	May	--	--	1.73	
May-24	8:00 IBGE Inflation IPCA-15 (y/y)	May	--	--	12.03	
May-25	4:00 FIPE CPI - Weekly (%)	23-May	--	--	1.04	
May-25	7:00 FGV Consumer Confidence	May	--	--	78.6	
May-25	8:30 Current Account Balance (USD mn)	Apr	--	500	-2414	
May-25	8:30 Foreign Direct Investment (USD mn)	Apr	--	6076.3	11842.6	
May-25	13:30 Federal Debt Total (BRL bn)	Apr	--	--	5565	
May-26	7:00 FGV Construction Costs (m/m)	May	--	--	0.87	
May 20-26	Tax Collections (BRL mn)	Apr	--	188600	164146.66	
May-27	8:30 Outstanding Loans (m/m)	Apr	--	--	0.8	
May-27	8:30 Personal Loan Default Rate (%)	Apr	--	--	4.71	
May-27	8:30 Total Outstanding Loans (BRL bn)	Apr	--	--	4710.96	
May 23-27	Current Account Balance (USD mn)	Mar	--	500	-2414	
May 23-27	Economic Activity (m/m)	Mar	--	1	0.34	
May 23-27	Economic Activity (y/y)	Mar	--	2.07	0.66	
May 23-27	Foreign Direct Investment (USD mn)	Mar	--	6076.3	11842.6	
May 23-27	Outstanding Loans (m/m)	Mar	--	--	0.8	
May 23-27	Personal Loan Default Rate (%)	Mar	--	--	4.71	
May 23-27	Total Outstanding Loans (BRL bn)	Mar	--	--	4710.96	
May-30	7:00 FGV Inflation IGPM (m/m)	May	--	--	1.41	
May-30	7:00 FGV Inflation IGPM (y/y)	May	--	--	14.66	
May-30	7:25 Central Bank Weekly Economist Survey		--	--	--	
May-30	Central Govt Budget Balance (BRL bn)	Apr	--	--	-6.304	
May-31	8:00 National Unemployment Rate (%)	Apr	--	--	11.1	
May-31	8:30 Net Debt % GDP	Apr	--	--	58.19	
May-31	8:30 Nominal Budget Balance (BRL bn)	Apr	--	--	-26.472	
May-31	8:30 Primary Budget Balance (BRL bn)	Apr	--	--	4.312	
May 24-31	Formal Job Creation Total	Apr	--	--	328507	
Jun-01	7:00 FGV CPI IPC-S (%)	31-May	--	--	0.41	
Jun-01	9:00 S&P Global Brazil Manufacturing PMI	May	--	--	51.8	
Jun-01	14:00 Exports Total (USD mn)	May	--	--	28902	
Jun-01	14:00 Imports Total (USD mn)	May	--	--	20754	
Jun-01	14:00 Trade Balance Monthly (USD mn)	May	--	--	8148	
Jun-02	4:00 FIPE CPI - Monthly (%)	May	--	--	1.62	
Jun-02	8:00 GDP 4Qtrs Accumulated (%)	1Q	--	--	4.6	
Jun-02	8:00 GDP (q/q)	1Q	--	--	0.5	
Jun-02	8:00 GDP (y/y)	1Q	--	--	1.6	
Jun-03	8:00 Industrial Production (m/m)	Apr	--	--	0.3	
Jun-03	8:00 Industrial Production (y/y)	Apr	--	--	-7.3	
Jun-03	9:00 S&P Global Brazil Composite PMI	May	--	--	58.5	
Jun-03	9:00 S&P Global Brazil Services PMI	May	--	--	60.6	
June 1-3	Vehicle Sales Fenabrave	May	--	--	147237	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for May 20–June 3

CHILE

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
May-20	8:30 Central Bank Meeting Minutes		--	--	--	--
May-24	9:00 PPI (m/m)	Apr	--	--	1	
May-24	Central Bank Traders Survey		--	--	--	--
May-30	9:00 Unemployment Rate (%)	Apr	--	--	7.8	
May-31	9:00 Commercial Activity (y/y)	Apr	--	--	8.14	
May-31	9:00 Copper Production Total (Tons)	Apr	--	--	462360	
May-31	9:00 Industrial Production (y/y)	Apr	--	--	0.85	
May-31	9:00 Manufacturing Production (y/y)	Apr	--	--	3.31	
May-31	9:00 Retail Sales (y/y)	Apr	--	--	11.17	
Jun-01	8:30 Economic Activity (m/m)	Apr	--	--	1.57	
Jun-01	8:30 Economic Activity (y/y)	Apr	--	--	7.17	
Jun-02	Central Bank Traders Survey		--	--	--	--
June 1-7	IMCE Business Confidence	May	--	--	47.47	

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
May-25	Industrial Confidence	Apr	--	--	13.6	
May-25	Retail Confidence	Apr	--	--	35.5	
May-27	Central Bank Board Meeting		--	--	--	--
May-29	Presidential election: First Round		--	--	--	--
May-31	11:00 Exports FOB (USD mn)	Apr	--	--	4968.78	
May-31	11:00 National Unemployment Rate (%)	Apr	--	--	12.12	
May-31	11:00 Urban Unemployment Rate (%)	Apr	--	--	12.64	
Jun-01	11:00 Davivienda Colombia PMI Mfg	May	--	--	54.4	
Jun-01	Current Account Balance (USD mn)	1Q	--	--	-6135.52	

MEXICO

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
May-20	Banamex Survey of Economists		--	--	--	--
May-24	7:00 Bi-Weekly Core CPI (%)	15-May	--	0.22	0.27	
May-24	7:00 Bi-Weekly Core CPI (y/y)	15-May	--	7.15	7.27	
May-24	7:00 Bi-Weekly CPI (%)	15-May	--	-0.08	0.18	
May-24	7:00 Bi-Weekly CPI (y/y)	15-May	--	7.57	7.65	
May-24	10:00 International Reserves Weekly (USD mn)	20-May	--	--	198724	
May-25	7:00 Economic Activity IGAE (m/m)	Mar	--	--	0.01	
May-25	7:00 Economic Activity IGAE (y/y)	Mar	--	--	2.45	
May-25	7:00 Exports (USD mn)	Apr	--	--	52000.4	
May-25	7:00 GDP Nominal (y/y)	1Q	--	--	9.01	
May-25	7:00 GDP NSA (y/y)	1Q F	--	--	1.55	
May-25	7:00 GDP SA (q/q)	1Q F	--	--	0.88	
May-25	7:00 Imports (USD mn)	Apr	--	--	51801.7	
May-25	7:00 Trade Balance (USD mn)	Apr	--	--	198.72	
May-25	10:00 Current Account Balance (USD mn)	1Q	--	--	2958	
May-26	7:00 Retail Sales (m/m)	Mar	--	--	0.8	
May-26	7:00 Retail Sales (y/y)	Mar	--	--	6.4	
May-26	10:00 Central Bank Monetary Policy Minutes		--	--	--	--
May-30	Budget Balance YTD (MXN bn)	Apr	--	--	-66.48	
May-31	7:00 Unemployment Rate NSA (%)	Apr	--	--	2.97	
May-31	10:00 International Reserves Weekly (USD mn)	27-May	--	--	198724	
May-31	10:00 Net Outstanding Loans (MXN bn)	Apr	--	--	4900.1	
Jun-01	10:00 Central Bank Economist Survey		--	--	--	--
Jun-01	10:00 Remittances Total (USD mn)	Apr	--	--	4680.6	
Jun-01	10:30 S&P Global Mexico Manufacturing PMI	May	--	--	49.3	
Jun-01	13:00 IMEF Manufacturing Index SA	May	--	--	52.5	
Jun-01	13:00 IMEF Non-Manufacturing Index SA	May	--	--	53	
Jun-01	13:30 Mexican Central Bank Releases Inflation Report		--	--	--	--
Jun-02	7:00 Consumer Confidence	May	--	--	44.28	
Jun-02	7:00 Leading Indicators (m/m)	Apr	--	--	-0.07	
Jun-02	7:00 Vehicle Domestic Sales	May	--	--	83459	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for May 20–June 3

PERU							
<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
May-23		GDP (y/y)	1Q	3.8	3.8		3.2 Above market expectations, driven by domestic demand due to the reduction in COVID restrictions. Mining output is affected by social protests.
Jun-01	11:00	Lima CPI (m/m)	May	0.25	--		0.96 Upward bias due to recent price increases for poultry products.
Jun-01	11:00	Lima CPI (y/y)	May	7.95	--		7.96 Year-to-Year pace is similar to April, close to 8%.

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

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