

## Contributors

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## Latam Charts: Is it Déjà Vu All Over Again?

- With its 50 bps interest rate hike, July 21st, the ECB joins the global fight against high inflation, which is at 40-year highs in several countries.
- In contrast to the late 1970s-early 1980s, however, central banks have a clear policy framework and commitments to price stability to guide their decisions. This is a crucial difference between then and now.
- Inflation-targeting regimes thus provide some assurance that the current inflationary environment won't be "déjà vu all over again."

The ECB's July 21st 50 basis point increase in the policy rate, double what it had signaled in June, is the latest salvo in global central banks' fight to contain inflation. To be sure, there is a lot of inflation to fight. And with the latest readings in several countries coming in at 40-year highs, there has been a predictable uptick in media attention to the parallels with the inflationary environment of the late 1970s-early 1980s. As the noted American social philosopher, Yogi Berra, is purported to have observed, "it is déjà vu all over again." Or is it?

**While a scenario of sustained high global inflation cannot be completely discounted, there is good reason to believe that it is unlikely.** Yes, there are similarities between the international economic conjuncture four decades ago and today—most notably, the importance of supply-side shocks (OPEC I and OPEC II then; Russia's invasion of Ukraine now). But there is one huge difference.

**Forty years ago, central banks around the world were still grappling with the consequences of the demise of the Bretton Woods system that had governed international monetary (exchange rate) relationships since the end of the Second World War.** The loss of that monetary policy framework led central banks to search for a replacement. Initial attempts to control inflation by limiting the growth of various measures of the money supply (M1, M2, M2+, etc.), as advocated by Milton Friedman and other "monetarists," proved unsuccessful.

**For much of the past four decades, however, most central banks have adhered to inflation-targeting frameworks.** That is the crucial difference between the inflationary environment of the 1970s–1980s and today. It is why Latam central banks were early movers in the inflation fight. Moreover, public commitments by central bankers, backed up with policy action, to return inflation to target have kept inflation expectations anchored despite the enormous price shocks that have been experienced over the past year. **And that adherence to price stability commitments by central banks in the region and around the world is why it probably isn't "déjà vu all over again."**

**These frameworks thus represent an essential difference in operating procedures.** Yet, as noted above, that fact doesn't preclude the possibility of sustained high inflation—if the global economy continues to be subject to a series of ongoing supply-side shocks, for example. Nor does it necessarily prevent an unintentional policy "overshooting" should central bankers, anxious to defend their credibility, independently err on the side of restraint, resulting in [\*an accumulated response that leads to excessively tight global financial conditions\*](#). Such responses may be warranted and rational from the perspective of individual central banks, but collectively irrational if they raise the risk of global recession. **In its reliance on credible commitments, inflation targeting could share certain features of the dysfunctional gold standard a century ago, which the Bretton Woods system was intended to correct. That truly would be a case of déjà vu.**

## Key Economic Charts

Chart 1

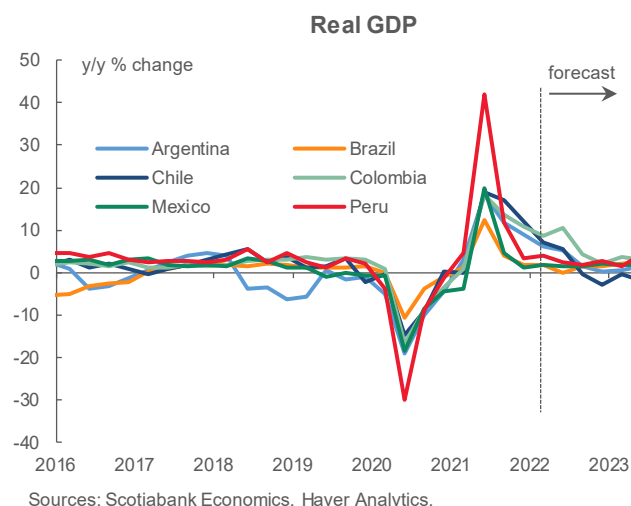


Chart 2

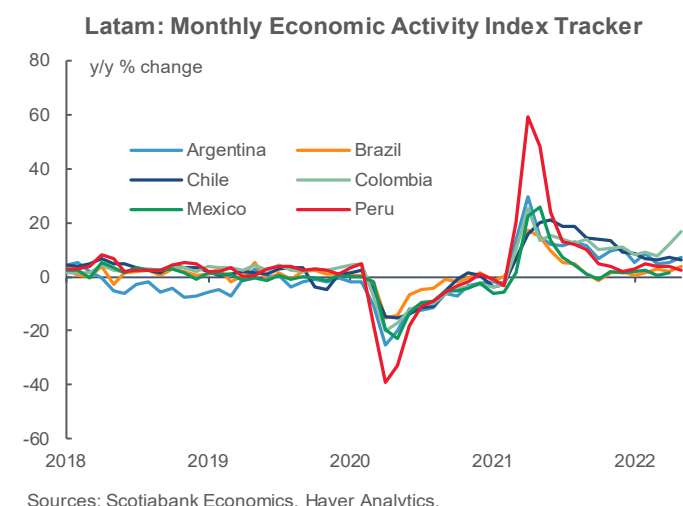


Chart 3

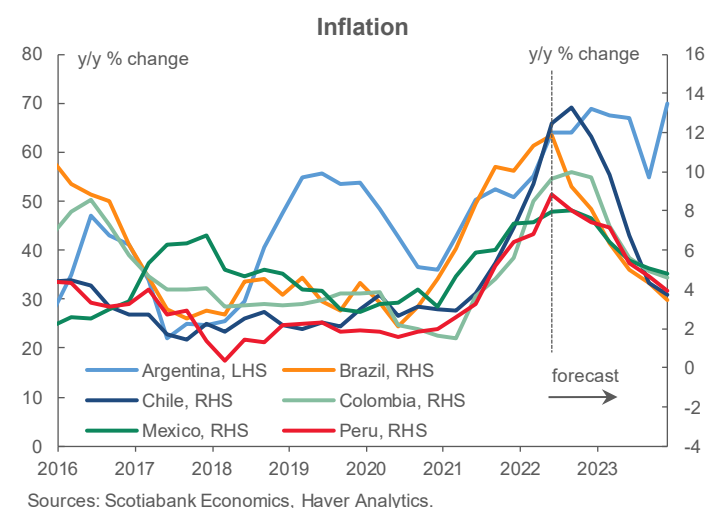


Chart 4

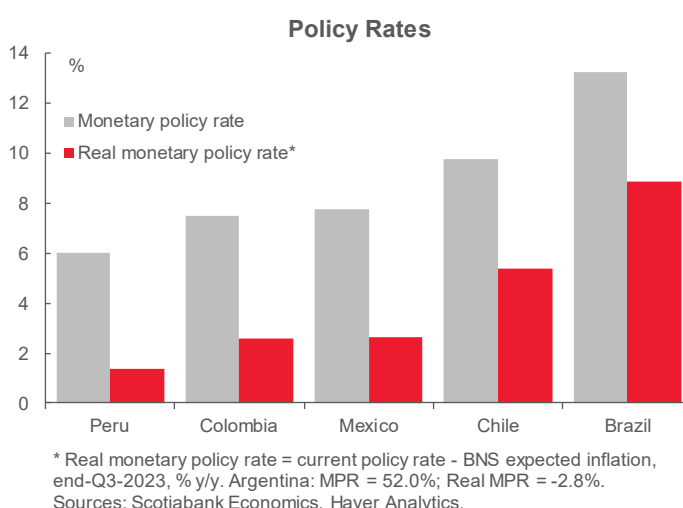


Chart 5

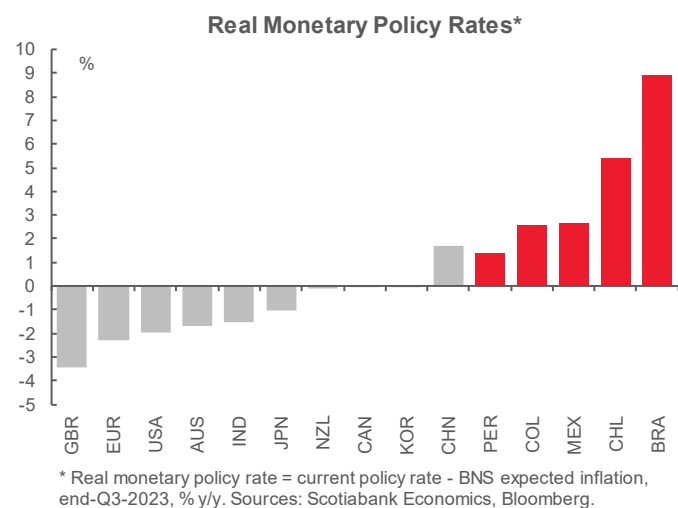
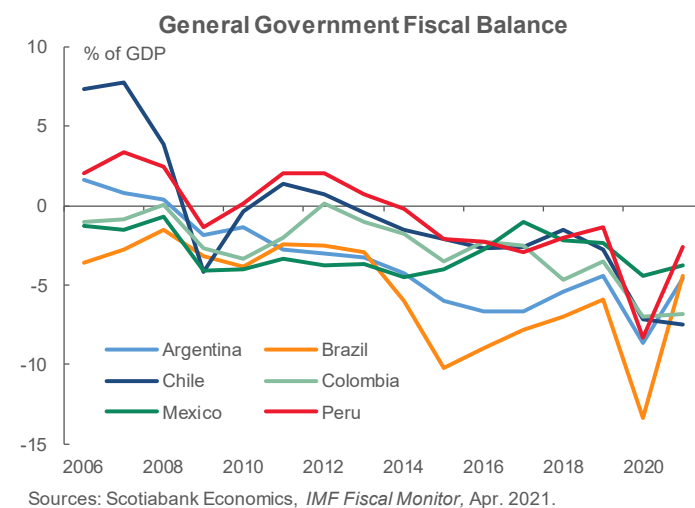


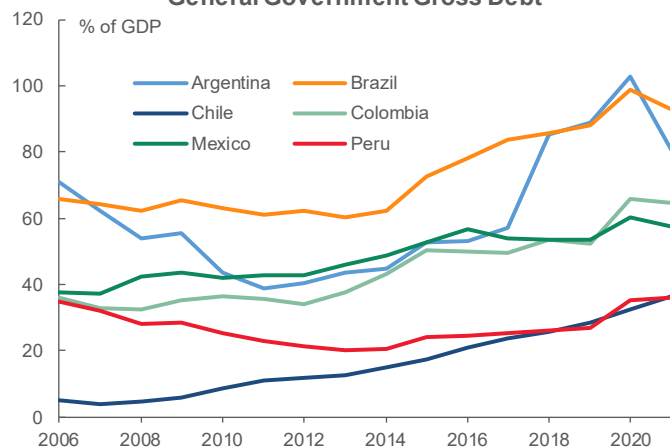
Chart 6



## Key Economic Charts

Chart 7

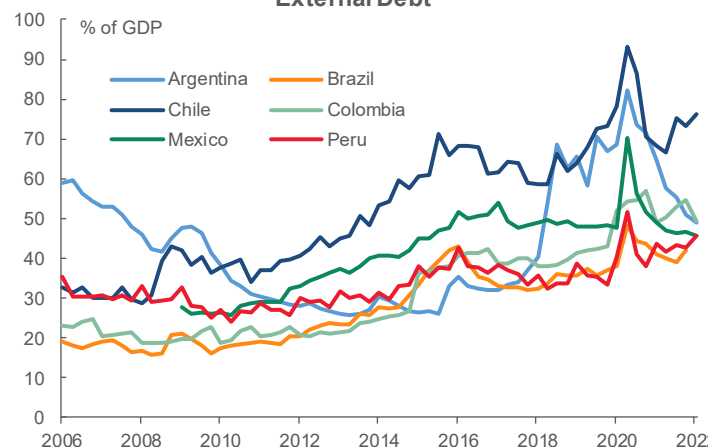
### General Government Gross Debt



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

Chart 8

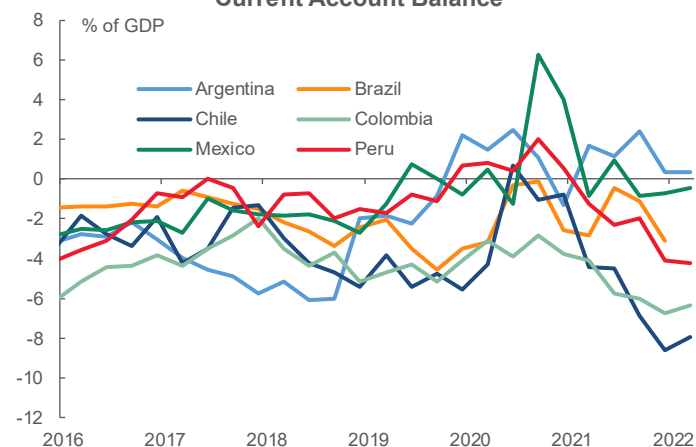
### External Debt



Sources: Scotiabank Economics, Haver Analytics.

Chart 9

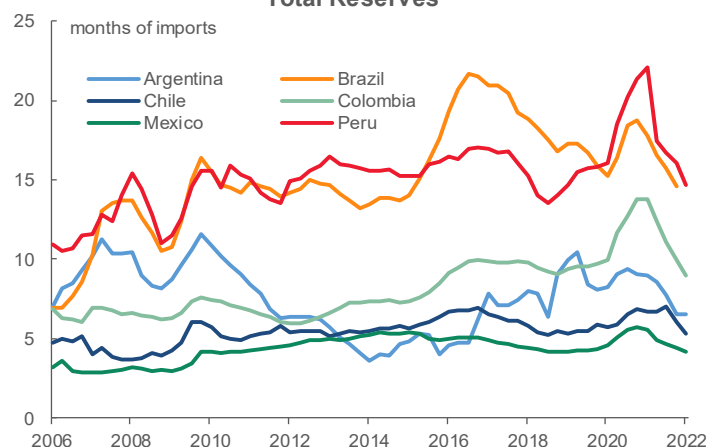
### Current Account Balance



Sources: Scotiabank Economics, Haver Analytics.

Chart 10

### Total Reserves

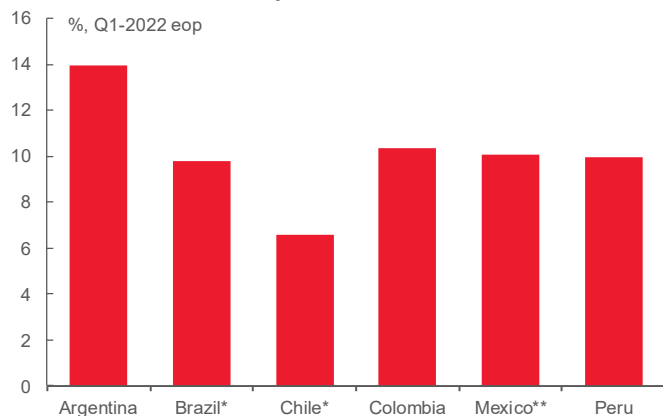


Sources: Scotiabank Economics, Haver Analytics.

## Key Market Charts

Chart 1

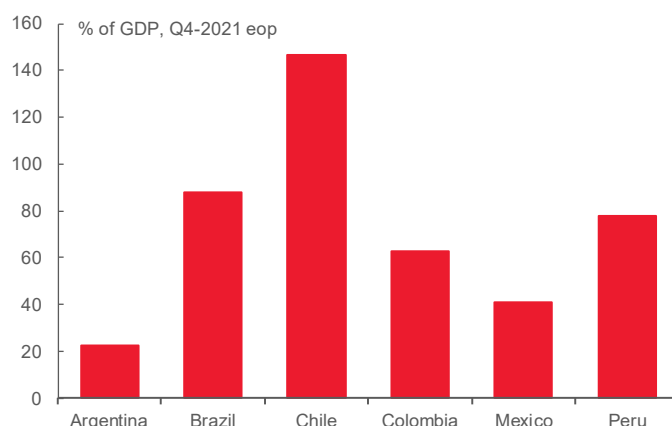
### Bank Capital to Assets Ratio



\* Data to Q3-2021. \*\* Data to Q1-2021.  
Sources: Scotiabank Economics, IMF.

Chart 2

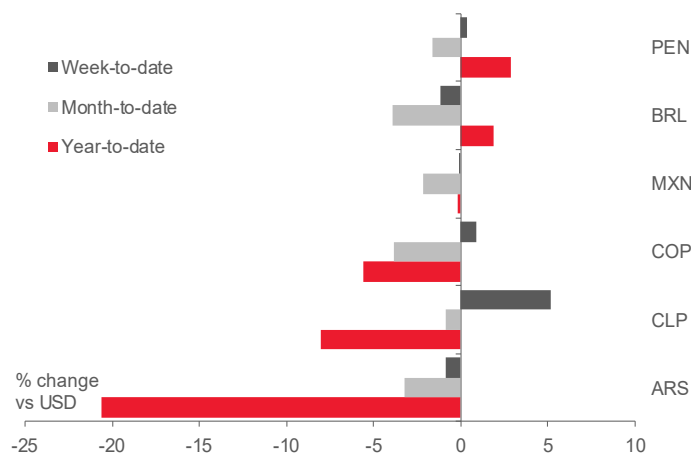
### Domestic Credit to Private Nonfinancial Sector



Sources: Scotiabank Economics, BIS, Haver Analytics.

Chart 3

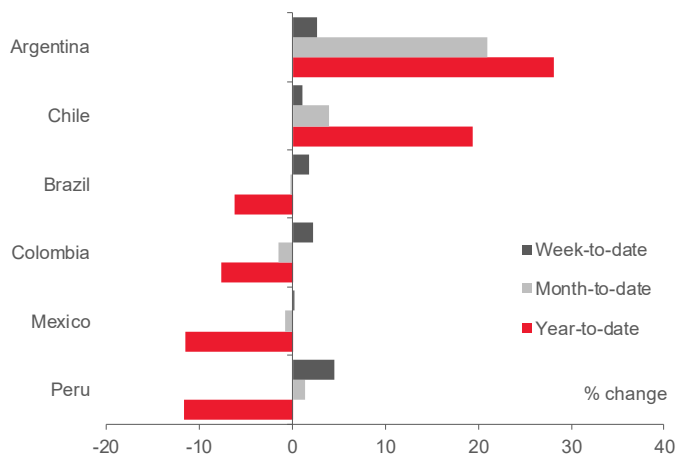
### Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 4

### Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 5

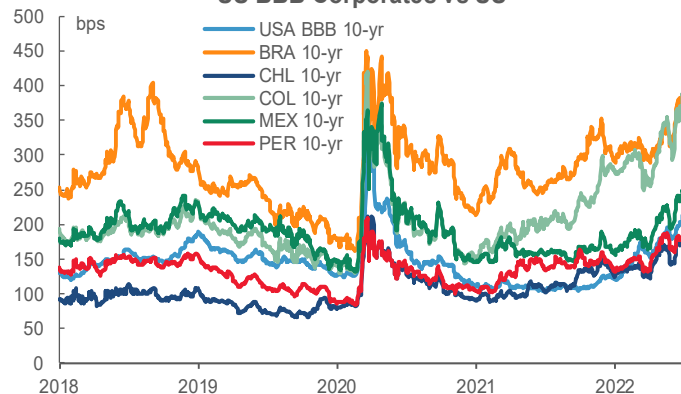
### USD vs Latam Currencies



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

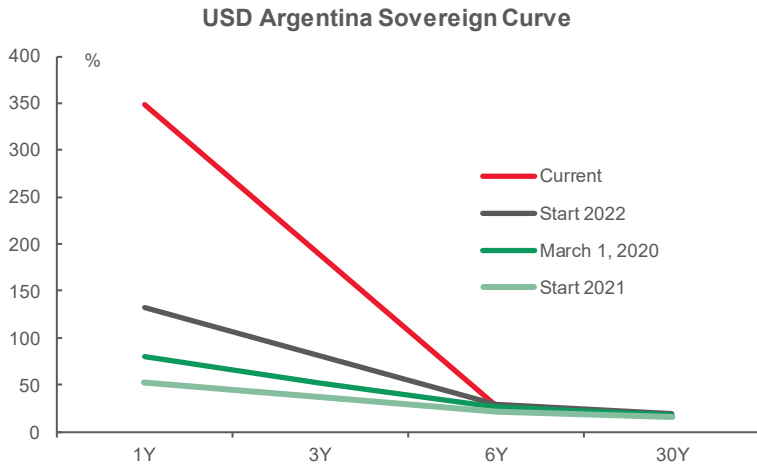


Chart 2



Chart 3

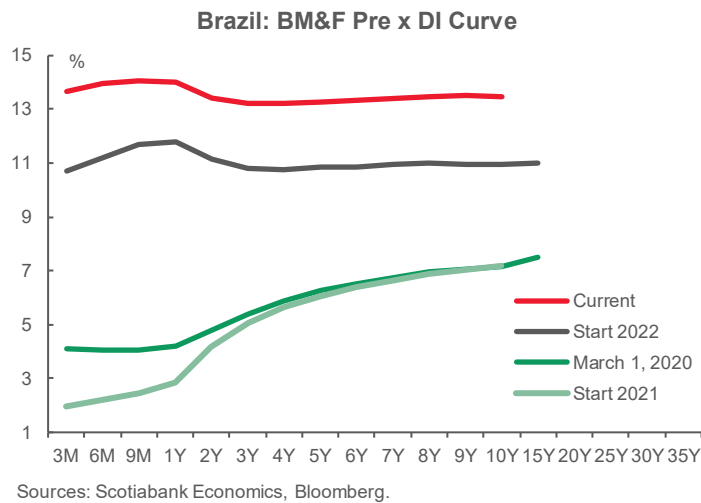


Chart 4

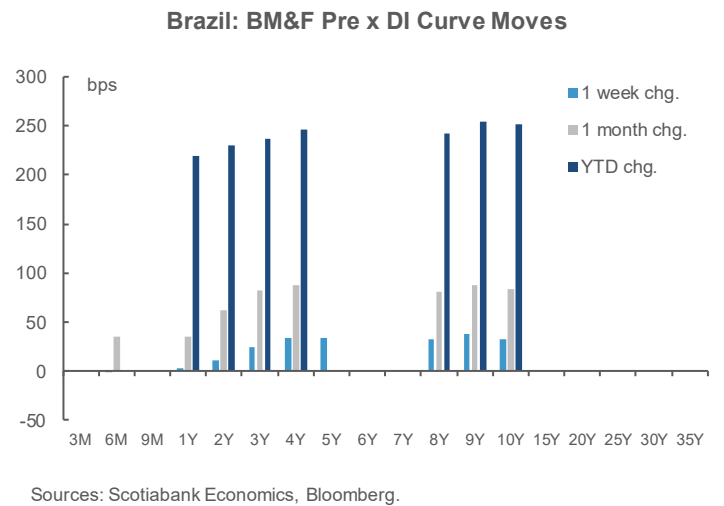


Chart 5

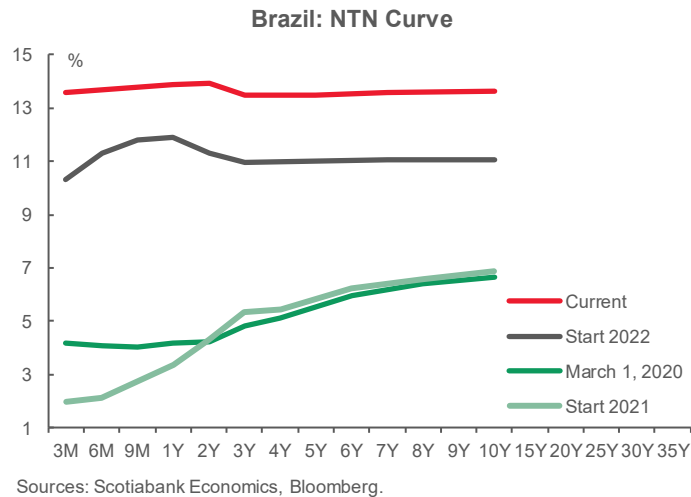
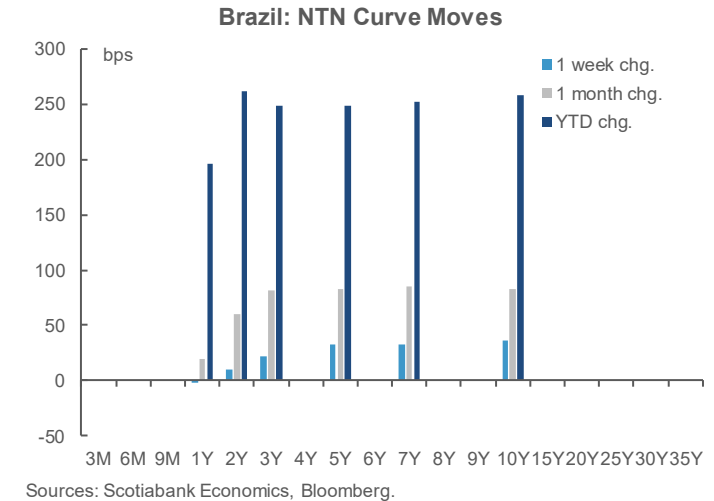


Chart 6



## Yield Curves

Chart 7

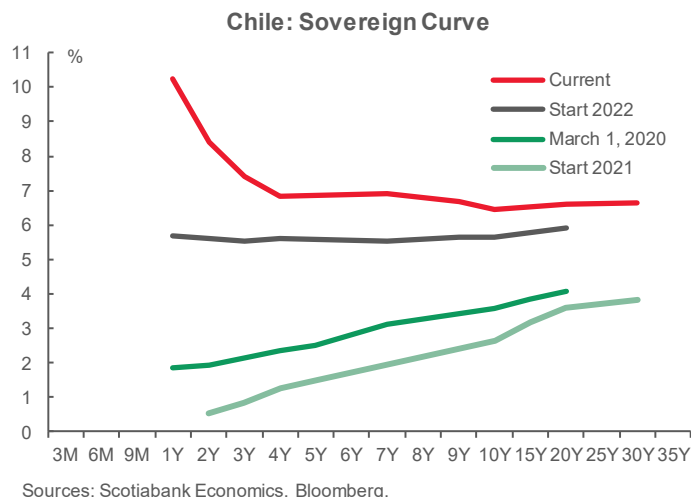


Chart 8

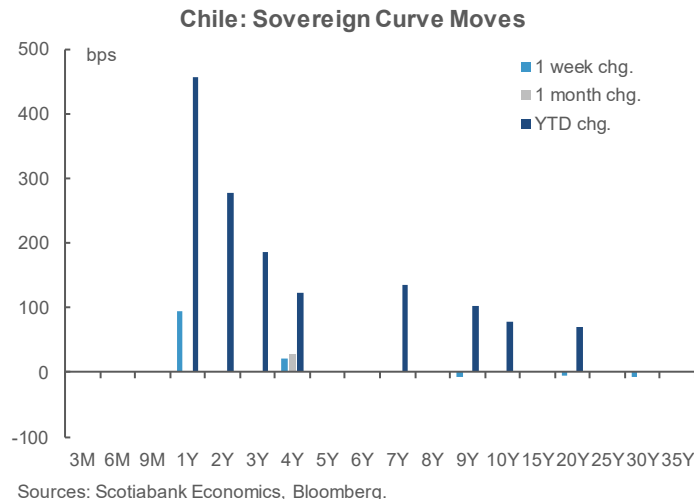


Chart 9

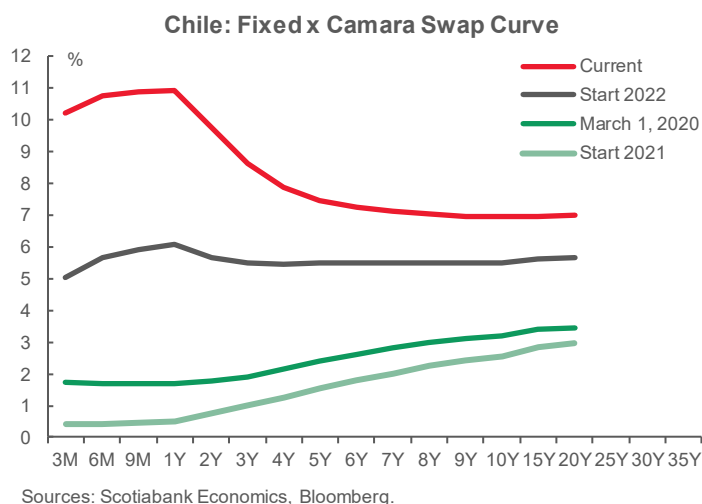


Chart 10

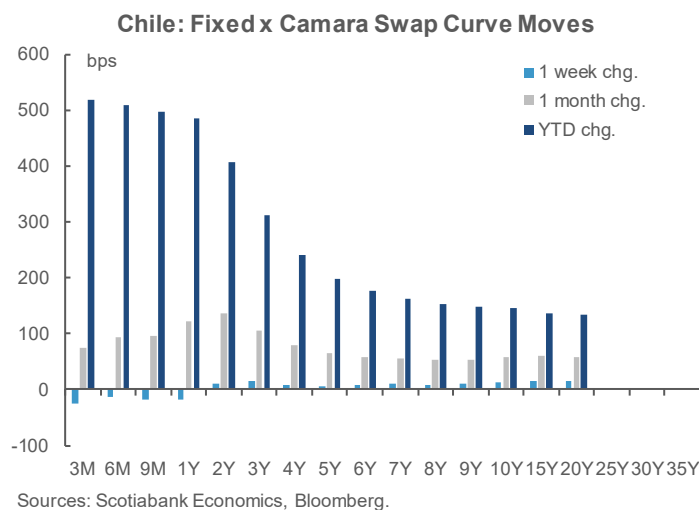


Chart 11

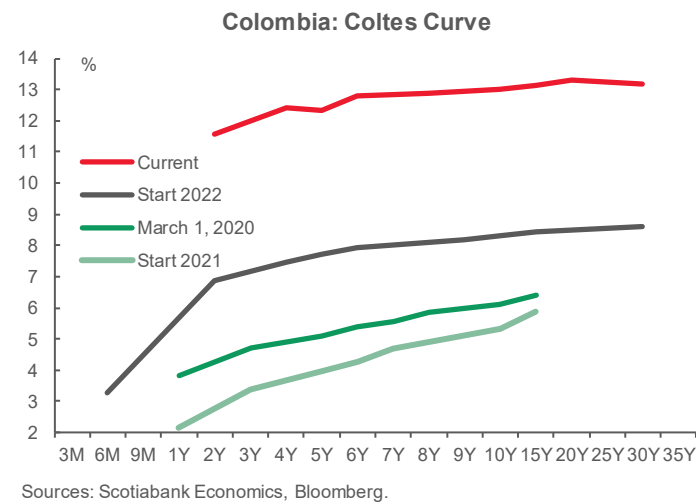
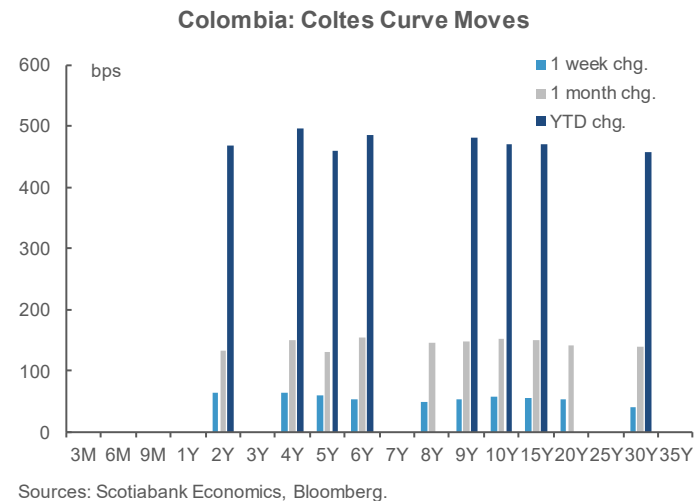


Chart 12



## Yield Curves

Chart 13

Colombia: UVR-Indexed Curve

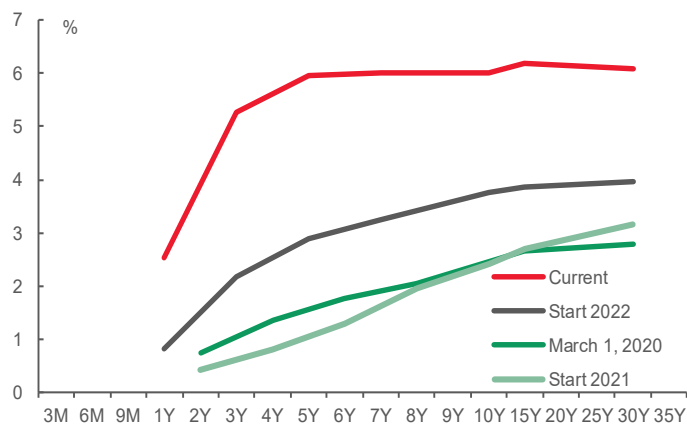


Chart 14

Colombia: UVR-Indexed Curve Moves

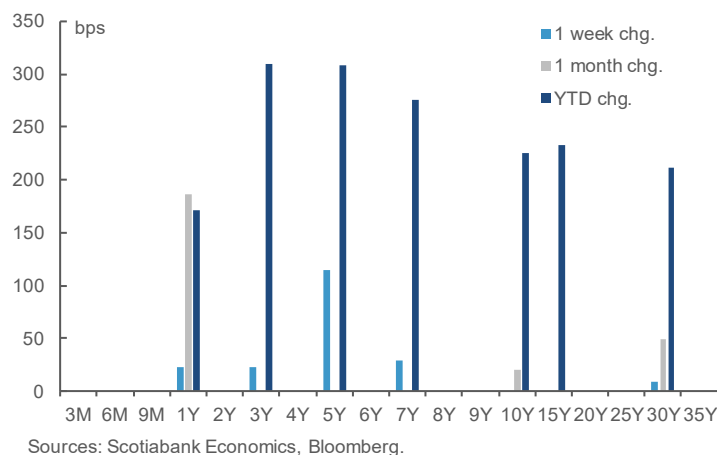


Chart 15

Mexico: M-Bono Curve

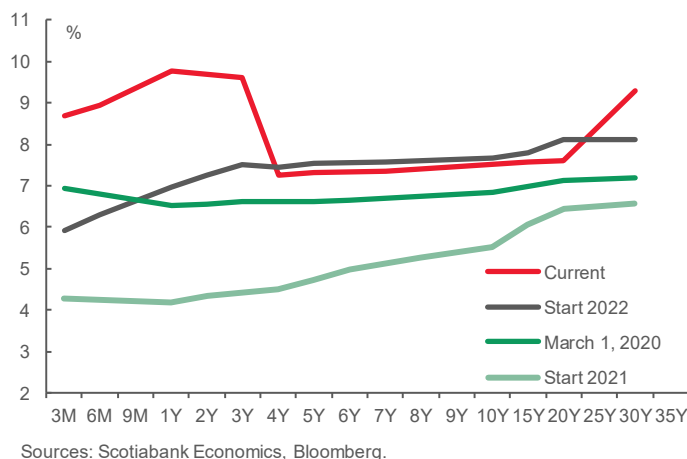


Chart 16

Mexico: M-Bono Curve Moves

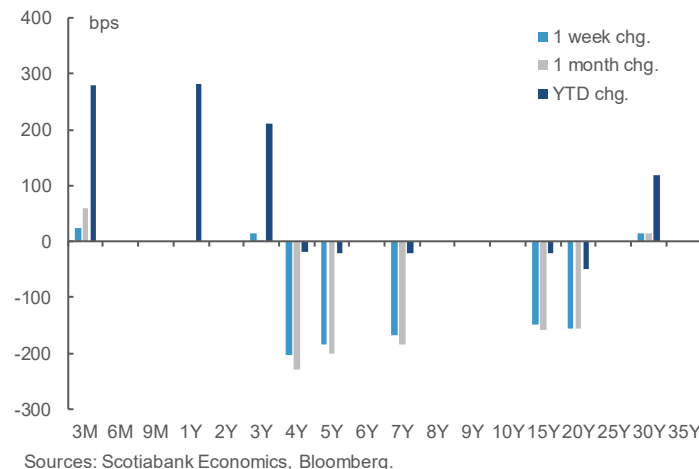


Chart 17

Mexico: Udibonos BVAL Yield Curve

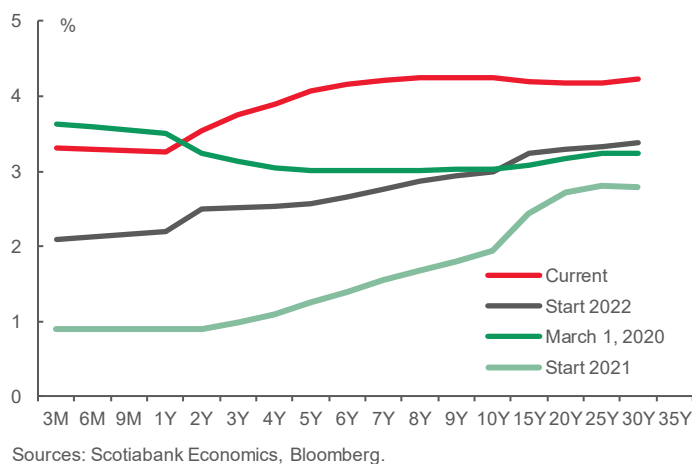
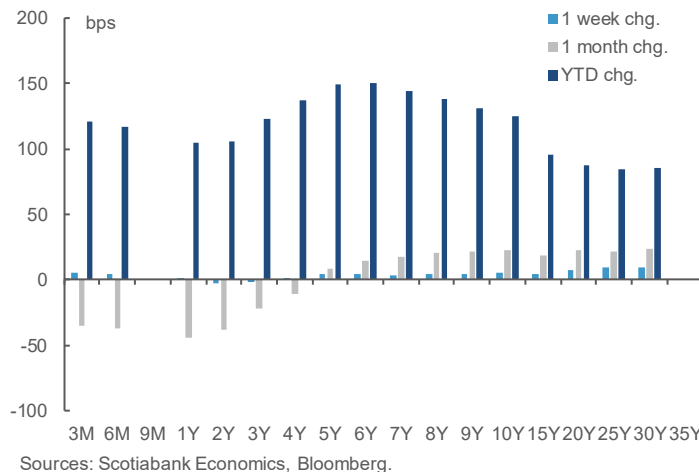


Chart 18

Mexico: Udibono Curve Moves



Yield Curves

Chart 19

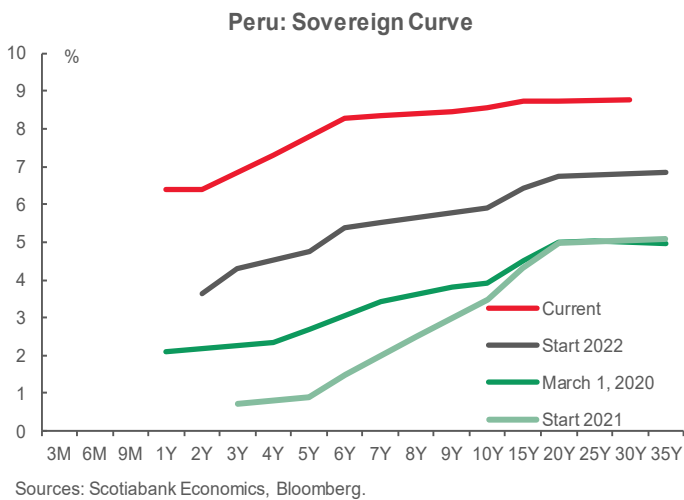
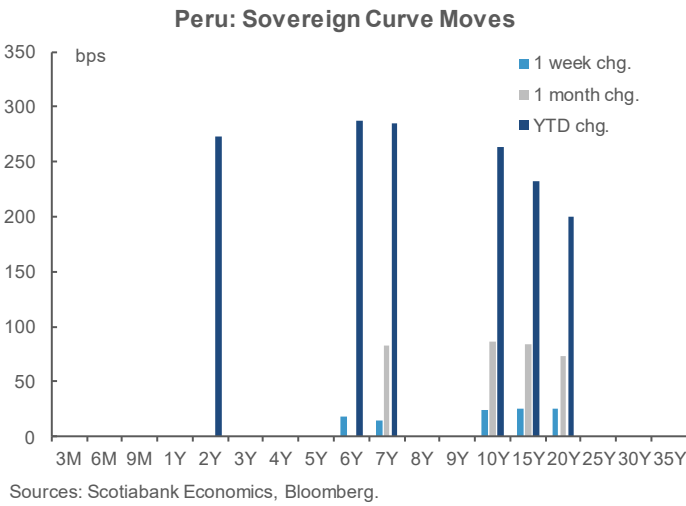


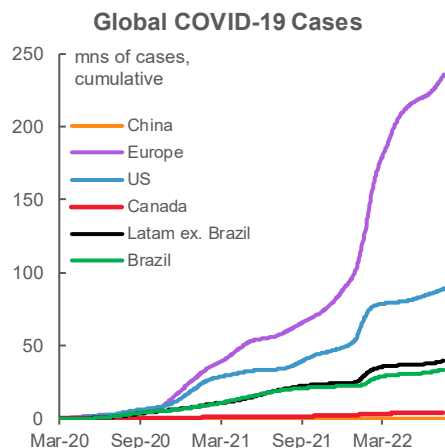
Chart 20





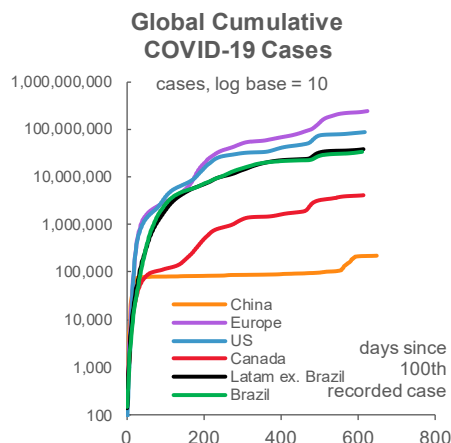
## Key COVID-19 Charts

Chart 1



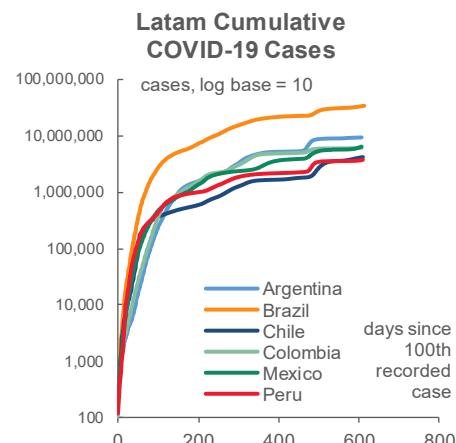
Sources: Scotiabank Economics, Johns Hopkins University, Oxford University.

Chart 2



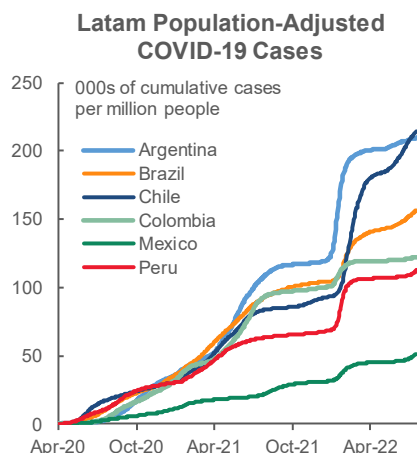
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 3



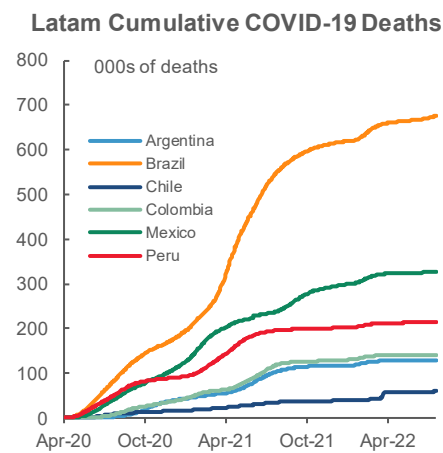
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 4



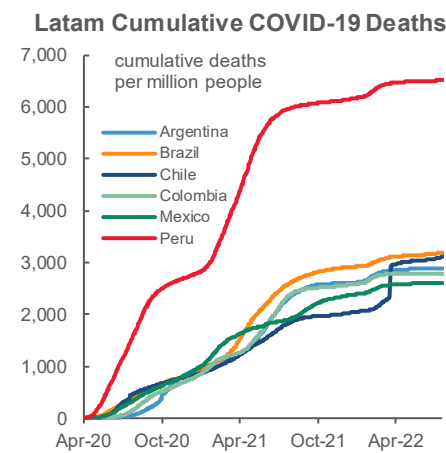
Sources: Scotiabank Economics, Johns Hopkins University, United Nations.

Chart 5



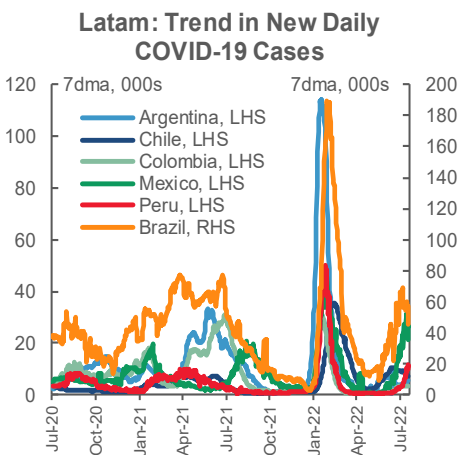
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 6



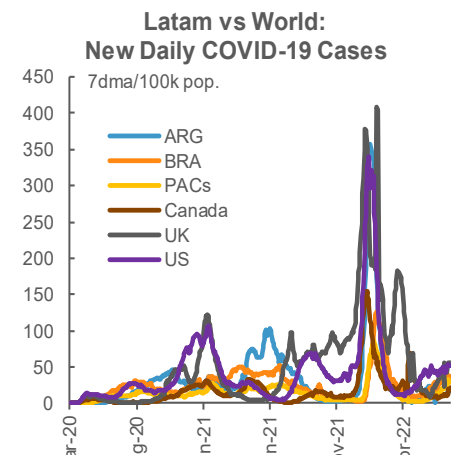
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 7



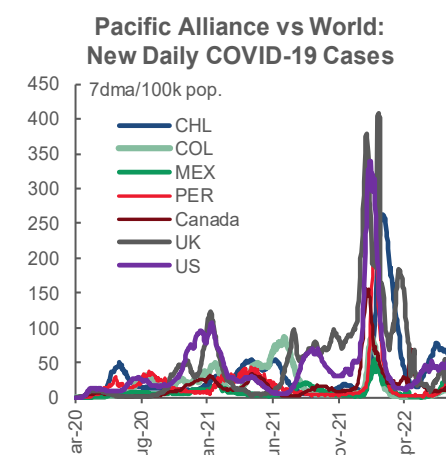
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 8



Sources: Scotiabank Economics, JHU.

Chart 9



Sources: Scotiabank Economics, JHU.

Key COVID-19 Charts

Chart 10

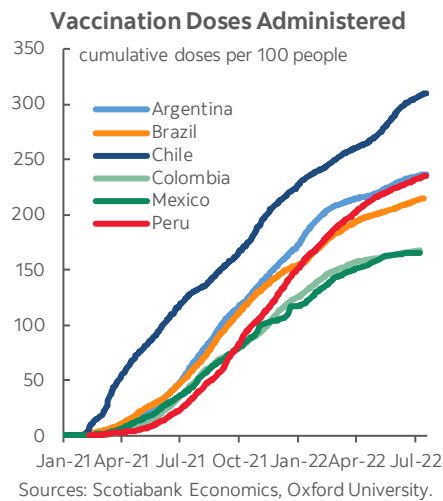


Chart 11

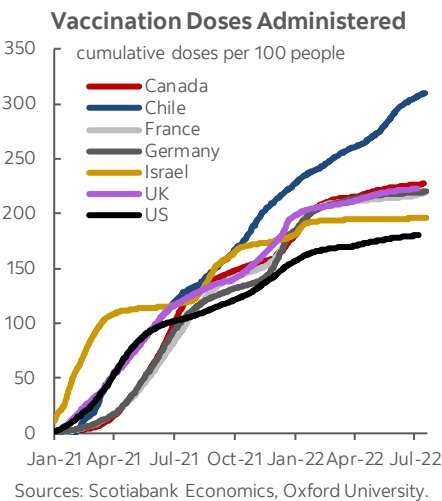
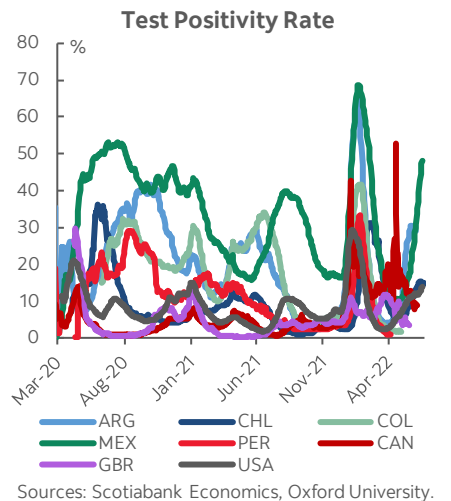


Chart 12



## Market Events &amp; Indicators for July 22–August 5

## ARGENTINA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Jul-26	15:00	Shop Center Sales (y/y)	May	--	--	100.19	
Jul-26	15:00	Supermarket Sales (y/y)	May	--	--	3.13	
Jul-28		Consumer Confidence Index (%)	Jul	--	--	39.09	
Jul-29	15:00	Wages (m/m)	May	--	--	4.96	
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	--	--	1680.90	
Aug-05		Central Bank Survey		--	--	--	

## BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Jul-25	7:00	FGV Consumer Confidence	Jul	--	--	79	
Jul-25	7:00	FGV CPI IPC-S (%)	22-Jul	--	--	0.24	
Jul-25	7:25	Central Bank Weekly Economist Survey		--	--	--	
Jul-25	8:30	Current Account Balance (USD mn)	Mar	--	300	-2414	
Jul-25	8:30	Foreign Direct Investment (USD mn)	Mar	--	6076.3	11842.6	
Jul-25	14:00	Trade Balance Weekly (USD mn)	24-Jul	--	--	1386.7	
Jul-26	4:00	FIPE CPI - Weekly (%)	23-Jul	--	--	0.46	
Jul-26	7:00	FGV Construction Costs (m/m)	Jul	--	--	2.81	
Jul-26	8:00	IBGE Inflation IPCA-15 (m/m)	Jul	--	0.12	0.69	
Jul-26	8:00	IBGE Inflation IPCA-15 (y/y)	Jul	--	11.4	12.04	
Jul 20-26		Tax Collections (BRL mn)	Jun	--	175105.87	181040	
Jul-27	8:30	Personal Loan Default Rate (%)	Apr	--	--	4.71	
Jul-27	8:30	Outstanding Loans (m/m)	Apr	--	--	0.8	
Jul-27	8:30	Total Outstanding Loans (BRL bn)	Apr	--	--	4710.96	
Jul-27	13:30	Federal Debt Total (BRL bn)	Jun	--	--	5702	
Jul-28	7:00	FGV Inflation IGPM (m/m)	Jul	--	--	0.59	
Jul-28	7:00	FGV Inflation IGPM (y/y)	Jul	--	--	10.7	
Jul-28		Central Govt Budget Balance (BRL bn)	Jun	--	--	-39.356	
Jul-29	8:00	National Unemployment Rate (%)	Jun	--	--	9.8	
Jul-29	8:30	Net Debt % GDP	May	--	58.3	57.86	
Jul-29	8:30	Nominal Budget Balance (BRL bn)	May	--	-72.3	-41.024	
Jul-29	8:30	Primary Budget Balance (BRL bn)	May	--	-27.65	38.876	
Jul 22-29		Formal Job Creation Total	Jun	--	266350	277018	
Aug-01	7:00	FGV CPI IPC-S (%)	31-Jul	--	--	0.24	
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>13.25</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	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

## Market Events &amp; Indicators for July 22–August 5

## CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Jul-22	9:00	PPI (m/m)	Jun	--	--	0.6	
Jul-28	9:00	Unemployment Rate (%)	Jun	--	--	7.8	
Jul-28		Central Bank Meeting Minutes		--	--	--	
Jul-29	9:00	Manufacturing Production (y/y)	Jun	--	--	3.5	
Jul-29	9:00	Industrial Production (y/y)	Jun	--	--	1.78	
Jul-29	9:00	Copper Production Total (Tons)	Jun	--	--	480275	
Jul-29	9:00	Commercial Activity (y/y)	Jun	--	--	-1.32	
Jul-29	9:00	Retail Sales (y/y)	Jun	--	--	-5.56	
Aug-01	8:30	Economic Activity (y/y)	Jun	--	--	6.36	
Aug-01	8:30	Economic Activity (m/m)	Jun	--	--	-0.06	
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 5-10		Vehicle Sales Total	Jul	--	--	36206	

## COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Jul-29	11:00	National Unemployment Rate (%)	Jun	--	--	10.65	
Jul-29	11:00	Urban Unemployment Rate (%)	Jun	--	--	11.02	
Jul-29	14:00	Overnight Lending Rate (%)	29-Jul	8.50	9.00	7.50	
Aug-01	11:00	Davivienda Colombia PMI Mfg	Jul	--	--	55.7	
Aug-02	11:00	Exports FOB (USD mn)	Jun	--	--	4552.71	
Aug-02	18:00	Colombia Monetary Policy Minutes		--	--	--	
Aug-05	7:00	CPI (m/m)	Jul	0.63	--	0.51	We expect headline inflation to approach 10% y/y, with food to continue contributing to the upside but less than in previous months. In the same vein, utility fees and gasoline prices will also impact to the upside. Additionally, the reversal of the VAT holiday also will contribute to the acceleration.
Aug-05	7:00	CPI (y/y)	Jul	10.0	--	9.67	
Aug-05	7:00	CPI Core (m/m)	Jul	0.60	--	0.47	
Aug-05	7:00	CPI Core (y/y)	Jul	7.15	--	6.84	

## MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Jul-22	7:00	Bi-Weekly CPI (%)	15-Jul	--	0.39	0.39	
Jul-22	7:00	Bi-Weekly CPI (y/y)	15-Jul	--	8.12	8.09	
Jul-22	7:00	Bi-Weekly Core CPI (%)	15-Jul	--	0.33	0.26	
Jul-22	7:00	Bi-Weekly Core CPI (y/y)	15-Jul	--	7.55	7.52	
Jul-25	7:00	Economic Activity IGAE (m/m)	May	--	--	1.07	
Jul-25	7:00	Economic Activity IGAE (y/y)	May	--	--	1.34	
Jul-26	10:00	International Reserves Weekly (USD mn)	22-Jul	--	--	198473	
Jul-27	7:00	Trade Balance (USD mn)	Jun	--	--	-2215.32	
Jul-27	7:00	Exports (USD mn)	Jun	--	--	50005.13	
Jul-27	7:00	Imports (USD mn)	Jun	--	--	52220.45	
Jul-28	7:00	Unemployment Rate NSA (%)	Jun	--	--	3.27	
Jul-28		Budget Balance YTD (MXN bn)	Jun	--	--	-58.46	
Jul-29	7:00	GDP NSA (y/y)	2Q P	--	1.2	1.83	
Jul-29	7:00	GDP SA (q/q)	2Q P	--	--	1.01	
Jul-29	10:00	Net Outstanding Loans (MXN bn)	Jun	--	--	5044.1	
Aug-01	10:00	Remittances Total (USD mn)	Jun	--	--	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	--	--	198473	
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		--	--	--	

## 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.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage



Local Market Coverage

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