

Contributors

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Latam Charts: Inflation Doesn't Take a Holiday

- Much of the Northern Hemisphere is in full summer holiday mode. That isn't the case in the Latam region, however, where there is no vacation from inflation.
- Mexico's Banxico and Peru's BCRP are the latest central banks to raise key policy rates.
- And while there are encouraging nascent signs of "peak inflation" in some countries, central banks must remain vigilant and persevere in their fight to restore price stability.

While much of the Northern Hemisphere is in summer holiday mode, that is not the case in the Latam region. And though markets welcomed better-than-expected news on the US inflation front (leading Scotiabank's Derek Holt to [wonder if markets over-reacted](#)), it is premature for a flight deck declaration of victory in the war on inflation. **Inflation isn't taking a holiday.**

At the global level, the Bank of England laid out a remarkably candid assessment of what this is likely to entail. Lest there be any doubt, the BoE's report makes for sober reading. Fed communications, meanwhile, have stressed that peak inflation is not the endgame. Bringing inflation back down to target levels is likely to take some time.

In the Latam region, higher year-over-year inflation in July locked-in a second 75 basis point rate hike by [Mexico's Banxico](#). As Scotiabank's team in Mexico City note, however, a moderation of inflation on a month-on-month basis could be a sign that inflation has peaked. Whether that is the case remains to be seen. Regardless, it has led the central bank to keep its options open with respect to the size of future rate hikes. Our experts now expect the next policy meeting in September to conclude with a 50-bps increase.

In [Peru](#), the BCRP also raised its policy rate on August 11, though by 50 bps. As Scotiabank's economists in Lima point out, grounds for cautious optimism that inflation may have peaked can be found there too. If that felicitous outcome indeed materializes, the central bank could hit "pause" on further rate hikes. But our team cautions that result is conditional on inflation easing, with the BCRP's policy remaining data-dependent. In any case, the central bank's revised scenario shows that inflation is likely to remain above inflation targets for longer.

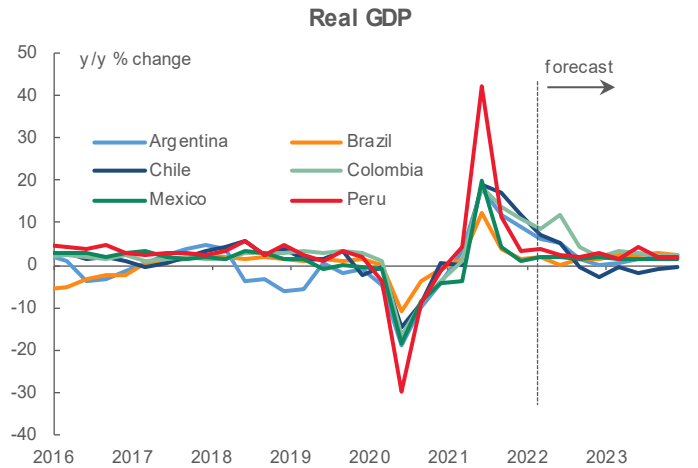
High inflation is also having an effect on consumer confidence and economic performance across the region. In [Colombia](#), consumer confidence has weakened in part owing to inflation eroding real wages and savings. In Mexico, flagging confidence may likewise account for weaker consumptions and investment. And in [Peru](#) disappointing housing sales may reflect the higher interest rates needed to contain persistent price pressures, although vehicle sales provide some reason for optimism. At the same time, the need to protect lower-income households from the damaging effects of high inflation, especially rising prices for foodstuffs and other necessities, is cited as a reason for tax reforms in [Colombia](#).

A year ago—even just six months ago—there was a lively debate over whether inflation was transitory or persistent. That debate has been decided in favour of the persistence side. But, make no mistake, inflation-targeting central banks with clear price stability commitments will eventually prevail. As the forecasts of Scotiabank teams throughout the region project, inflation will return to target. That said, bringing inflation down will take considerable time. And while nascent signs of "peak inflation" are certainly welcome, continued vigilance is needed. There is no vacation from the inflation battle.

Central banks in the Latam region and around the globe must persevere in their fight. To channel Winston Churchill, peak inflation is not the end of the fight; it is not even the beginning of the end; but it may just be the end of the beginning.

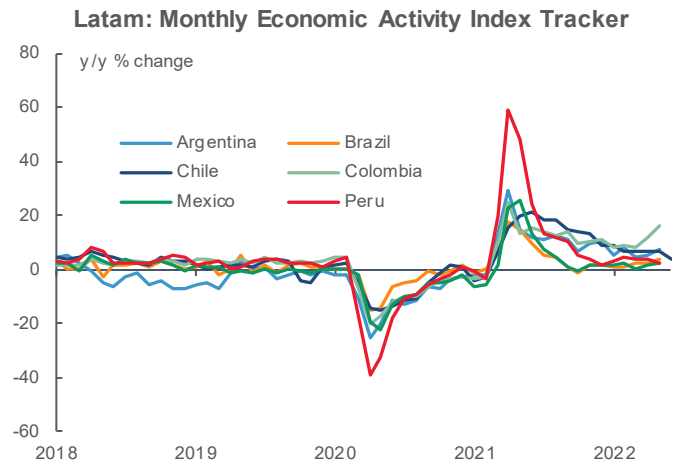
Key Economic Charts

Chart 1



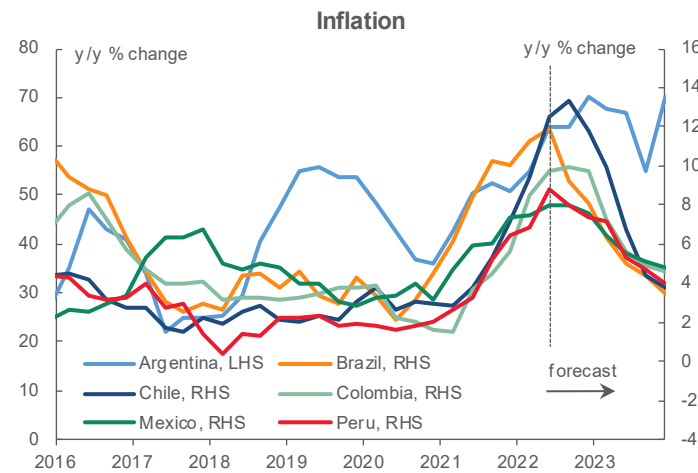
Sources: Scotiabank Economics, Haver Analytics.

Chart 2



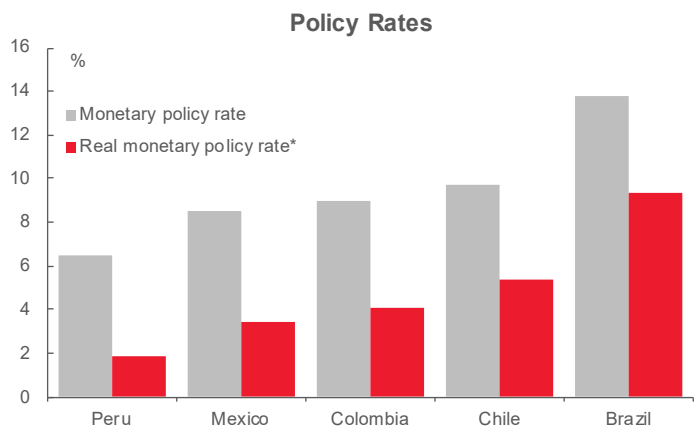
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



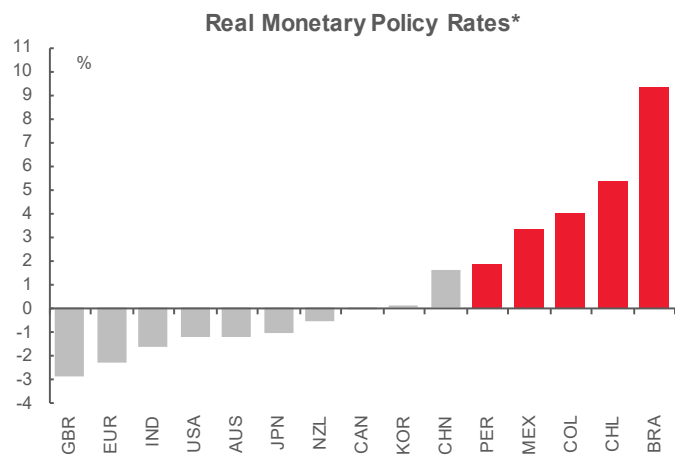
Sources: Scotiabank Economics, Haver Analytics.

Chart 4



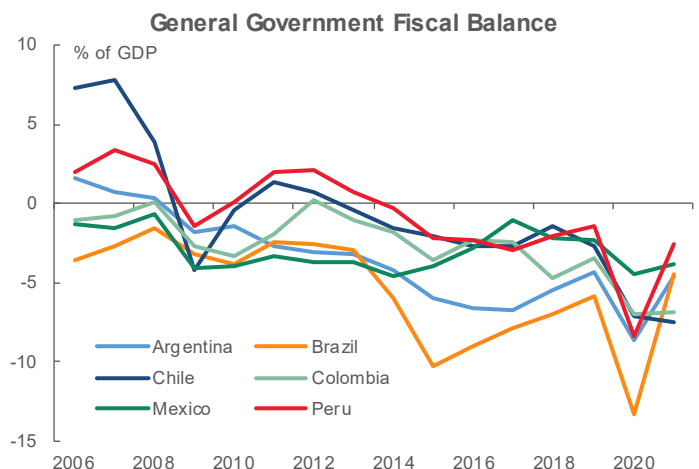
* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q3-2023, % y/y. Argentina: MPR = 60.0%; Real MPR = 5.2%. Sources: Scotiabank Economics, Haver Analytics.

Chart 5



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q3-2023, % y/y. Sources: Scotiabank Economics, Bloomberg.

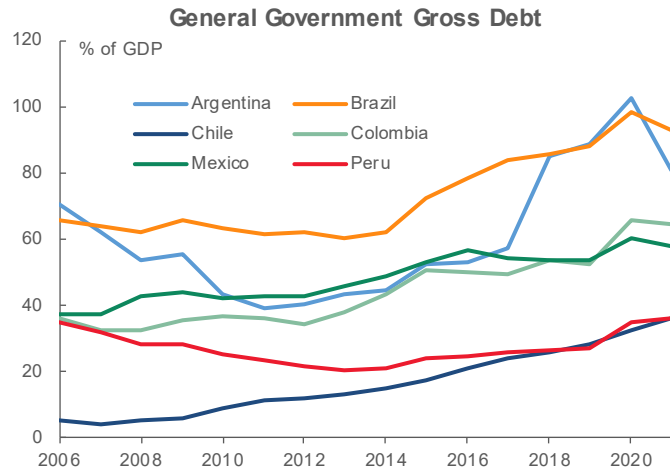
Chart 6



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

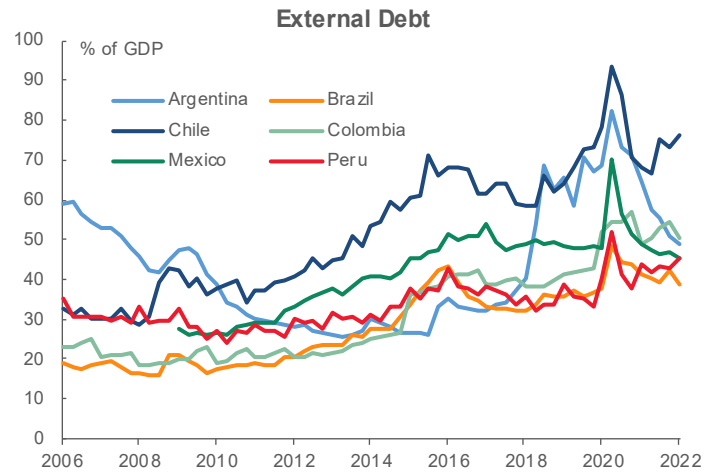
Key Economic Charts

Chart 7



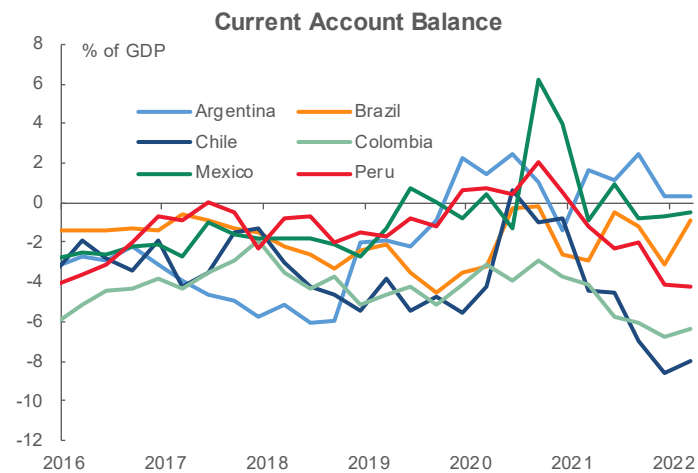
Sources: Scotiabank Economics, IMF Fiscal Monitor, Apr. 2021.

Chart 8



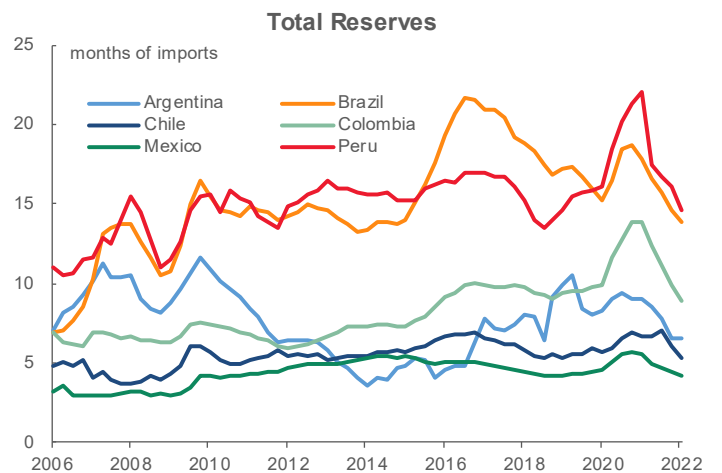
Sources: Scotiabank Economics, Haver Analytics.

Chart 9



Sources: Scotiabank Economics, Haver Analytics.

Chart 10

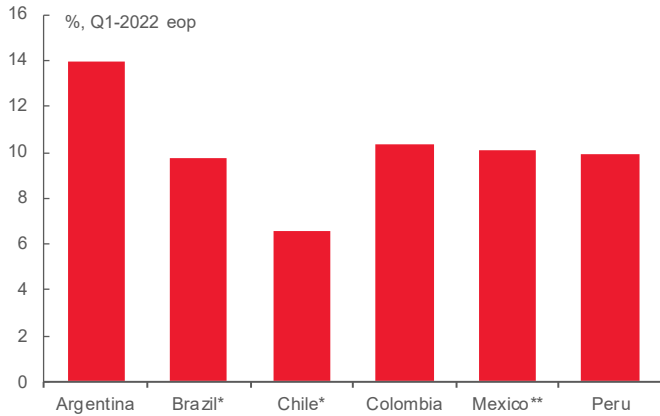


Sources: Scotiabank Economics, Haver Analytics.

Key Market Charts

Chart 1

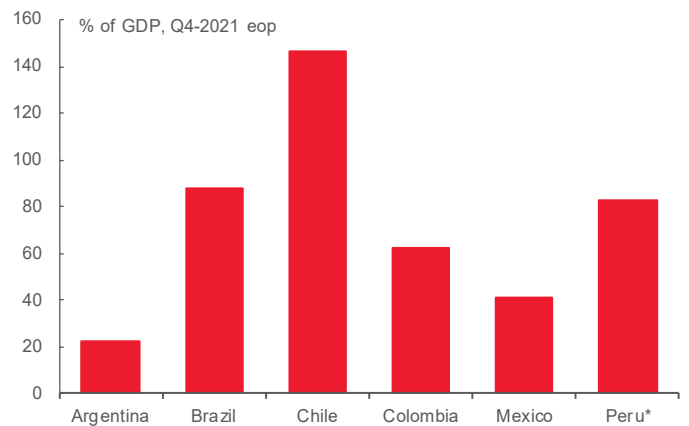
Bank Capital to Assets Ratio



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

Chart 2

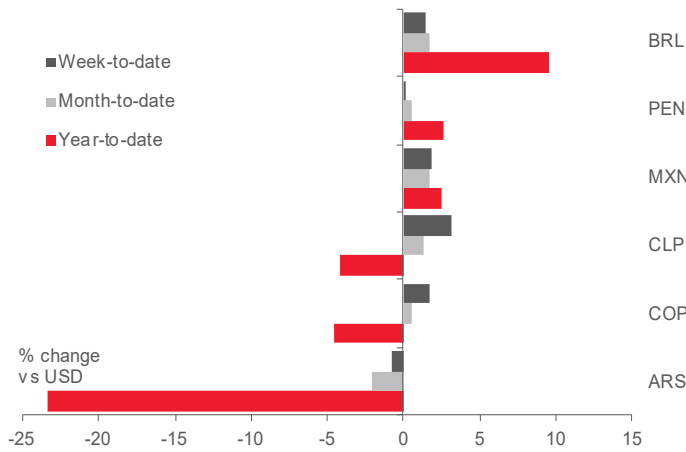
Domestic Credit to Private Nonfinancial Sector



* Data to Q1-2022. Sources: Scotiabank Economics, BIS, Haver Analytics.

Chart 3

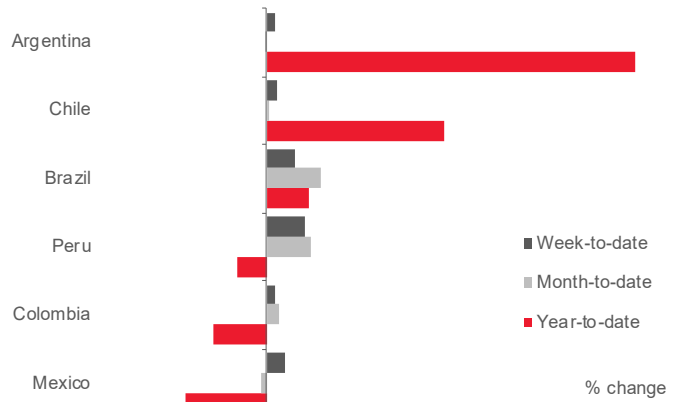
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 4

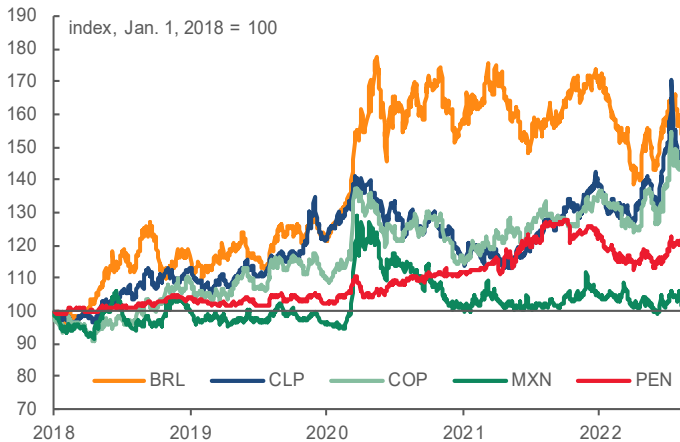
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 5

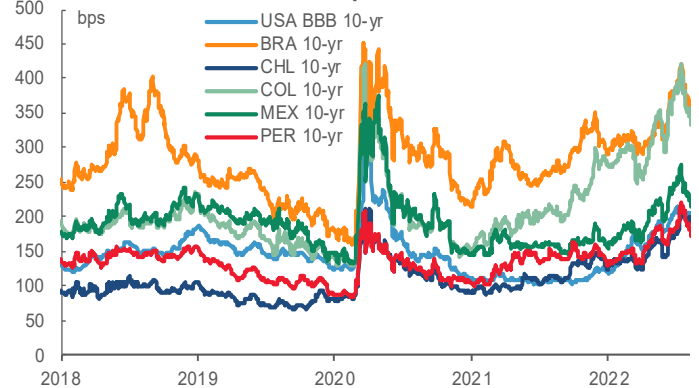
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 6

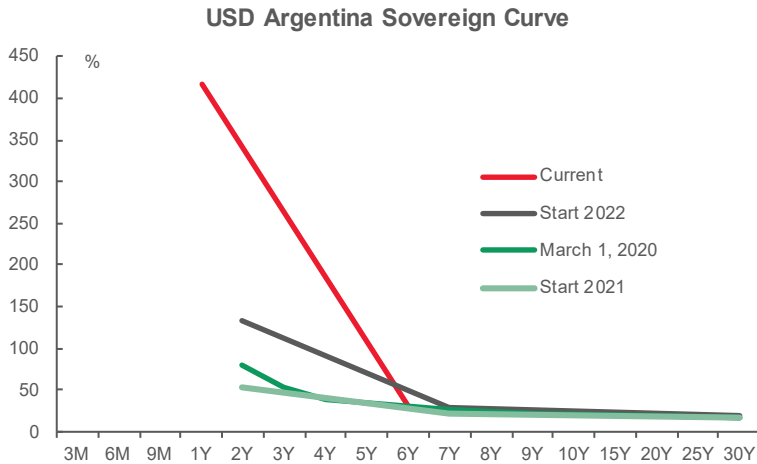
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



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

Yield Curves

Chart 1



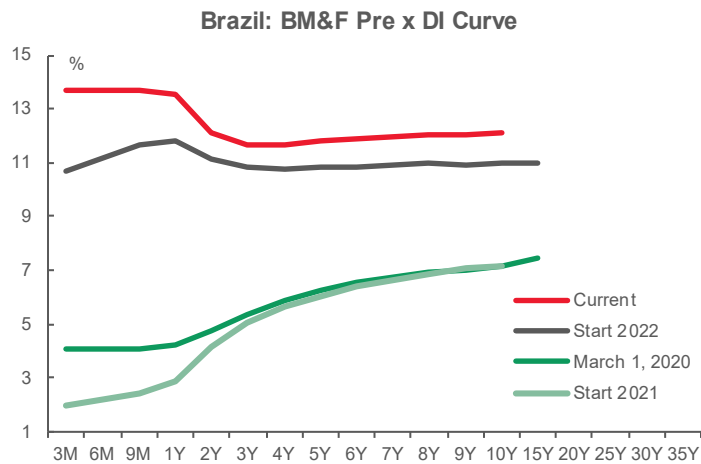
Sources: Scotiabank Economics, Bloomberg.

Chart 2



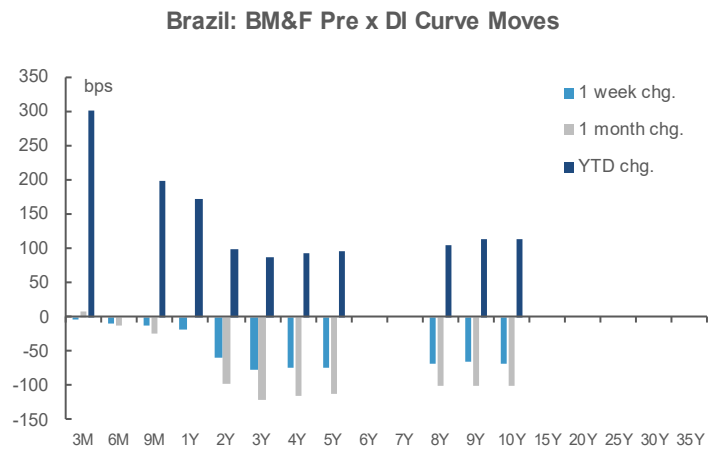
Sources: Scotiabank Economics, Bloomberg.

Chart 3



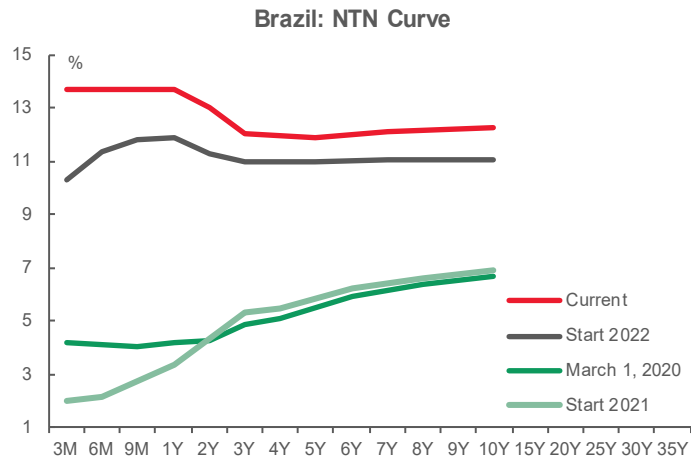
Sources: Scotiabank Economics, Bloomberg.

Chart 4



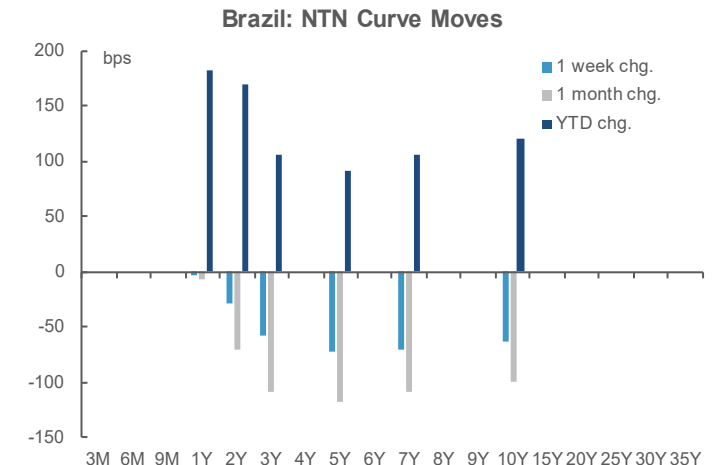
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

Chart 6

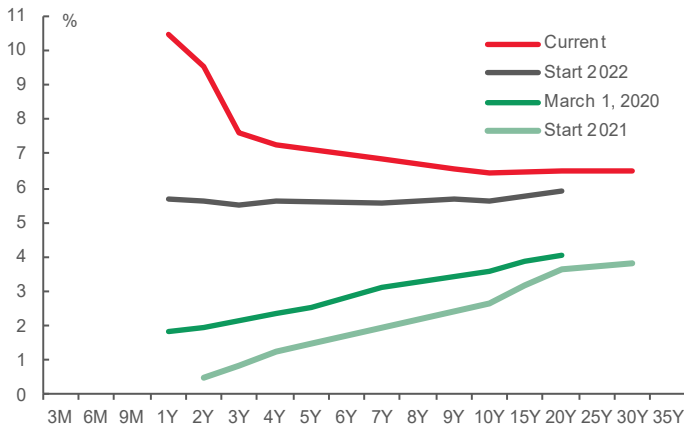


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 7

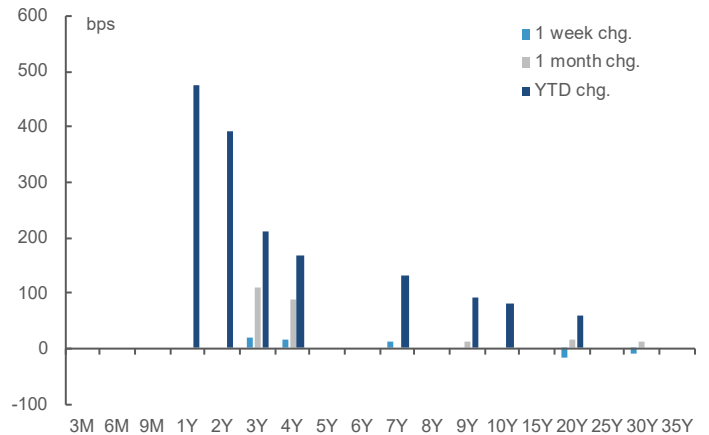
Chile: Sovereign Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 8

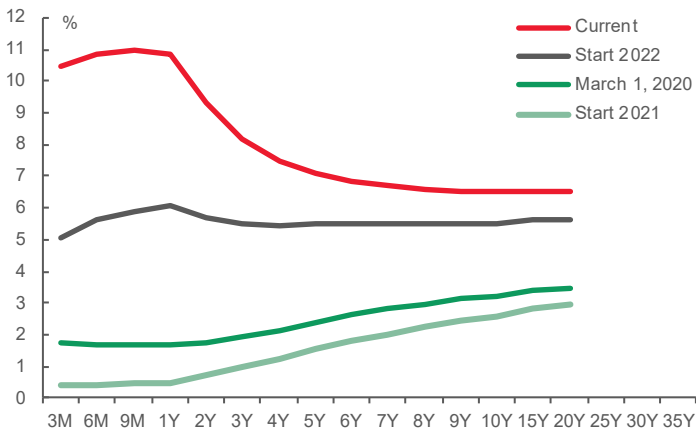
Chile: Sovereign Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 9

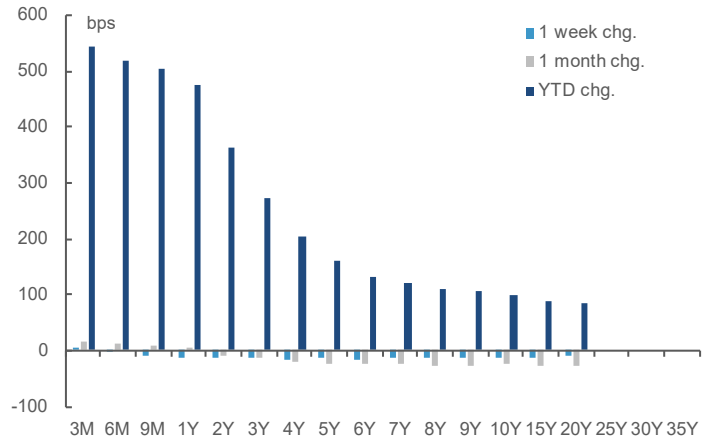
Chile: Fixed x Camara Swap Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 10

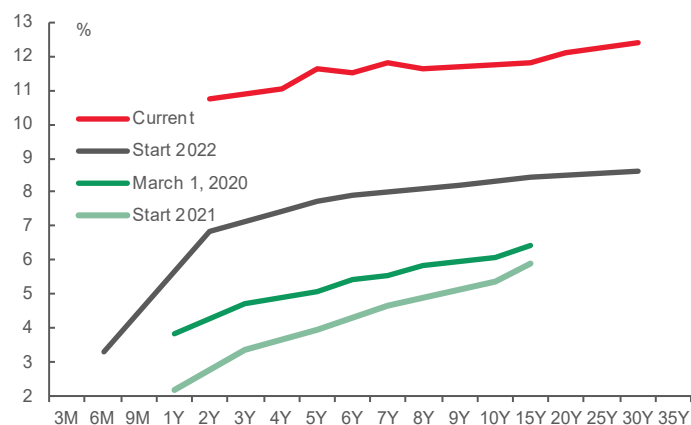
Chile: Fixed x Camara Swap Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 11

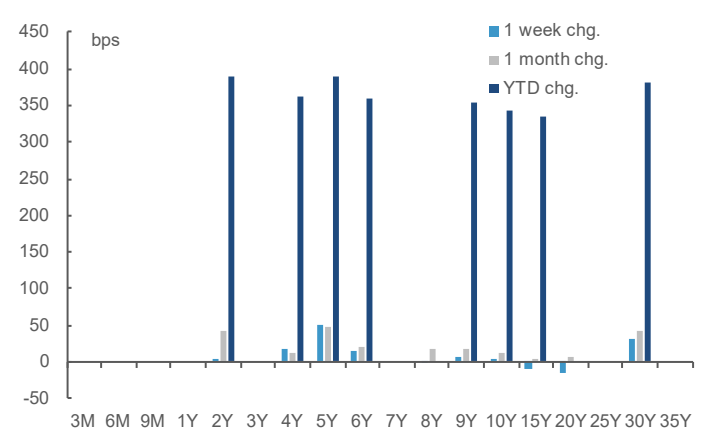
Colombia: Coltes Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 12

Colombia: Coltes Curve Moves

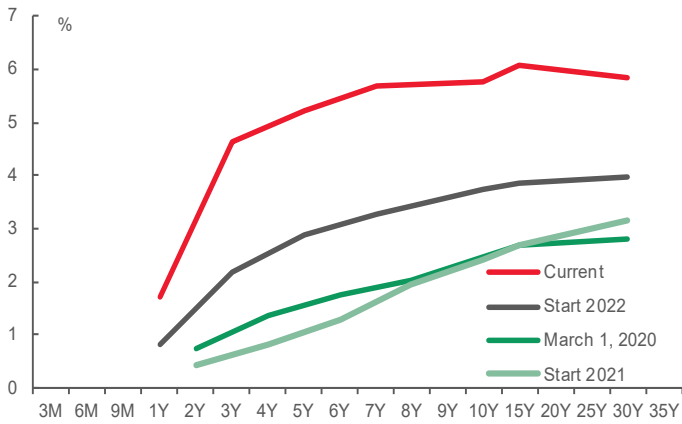


Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 13

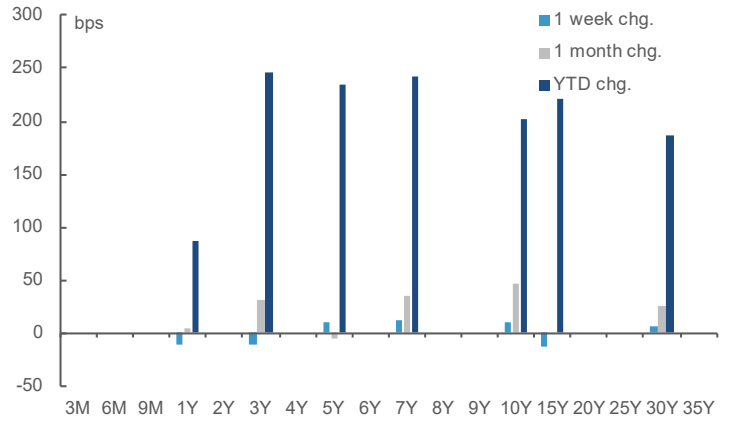
Colombia: UVR-Indexed Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 14

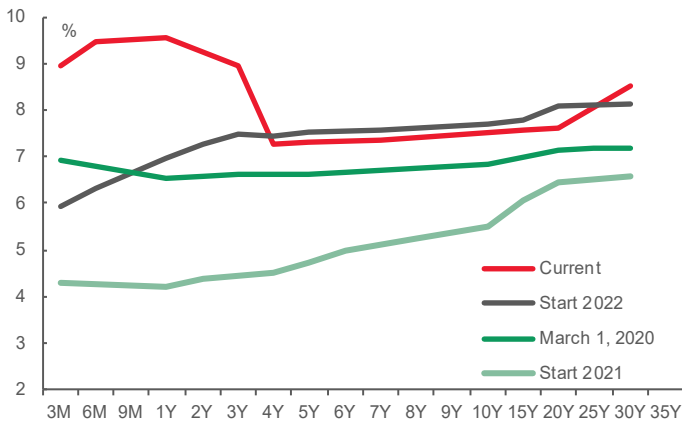
Colombia: UVR-Indexed Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 15

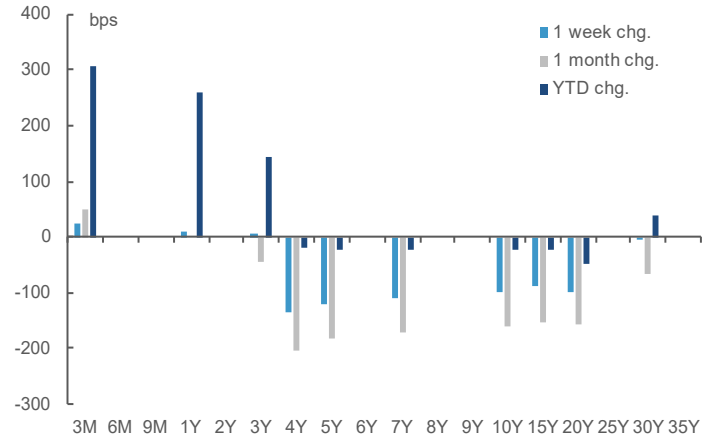
Mexico: M-Bono Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 16

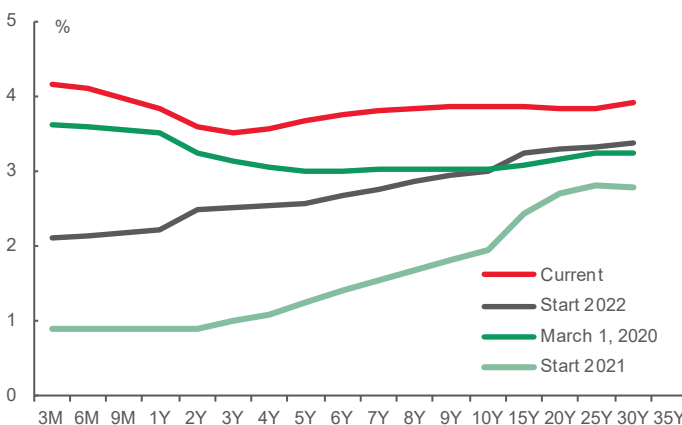
Mexico: M-Bono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

Chart 17

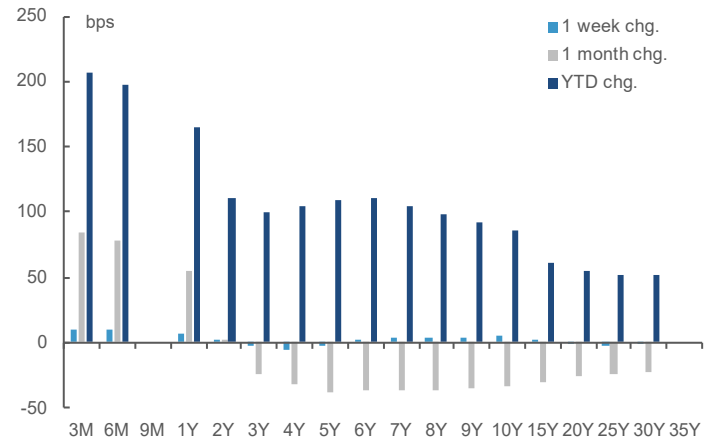
Mexico: Udibonos BVAL Yield Curve



Sources: Scotiabank Economics, Bloomberg.

Chart 18

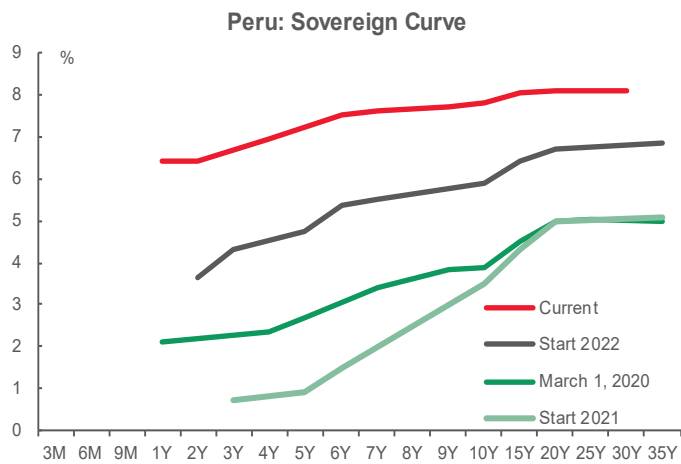
Mexico: Udibono Curve Moves



Sources: Scotiabank Economics, Bloomberg.

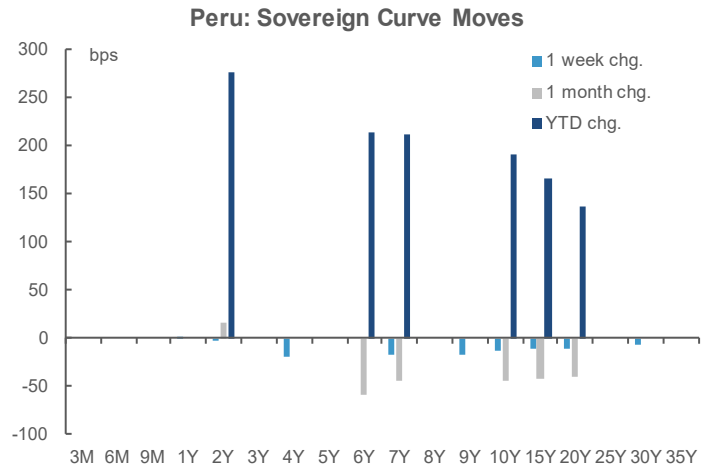
Yield Curves

Chart 19



Sources: Scotiabank Economics, Bloomberg.

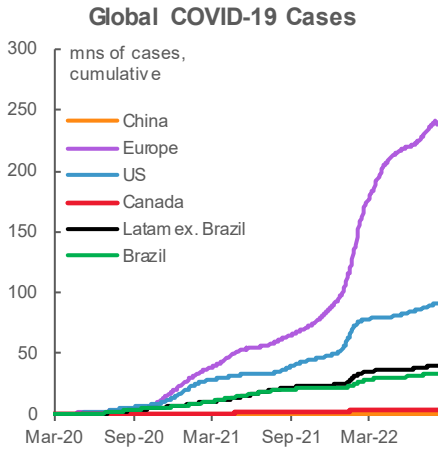
Chart 20



Sources: Scotiabank Economics, Bloomberg.

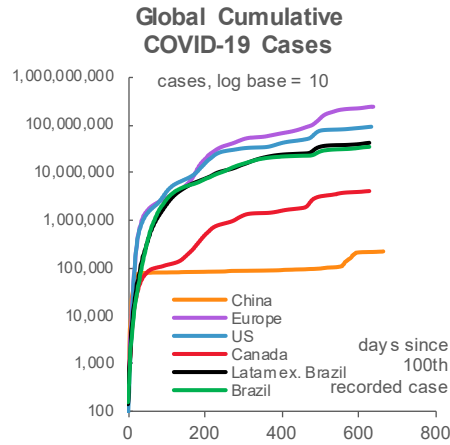
Key COVID-19 Charts

Chart 1



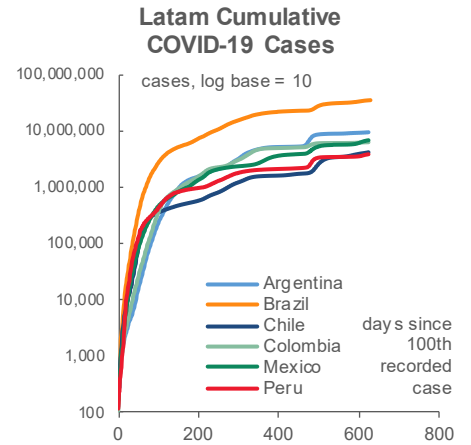
Sources: Scotiabank Economics, Johns Hopkins University, Oxford University.

Chart 2



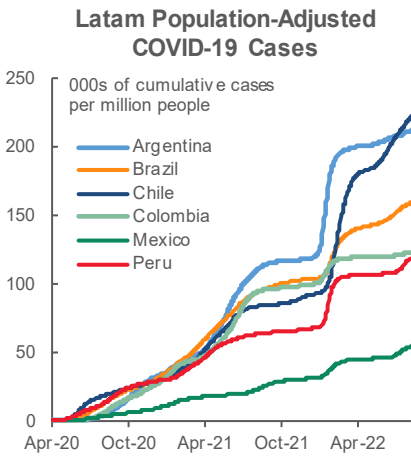
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 3



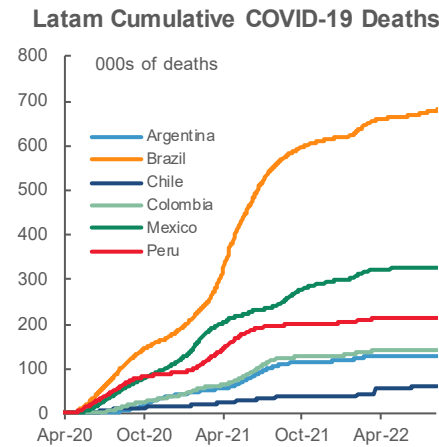
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 4



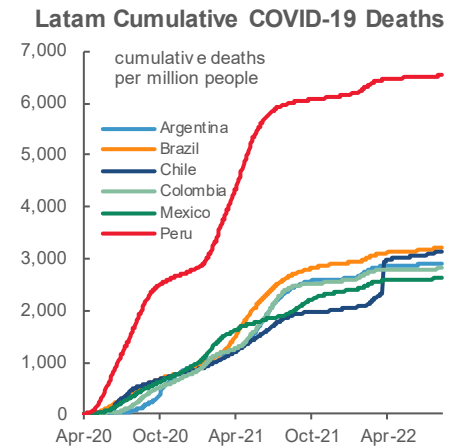
Sources: Scotiabank Economics, Johns Hopkins University, United Nations.

Chart 5



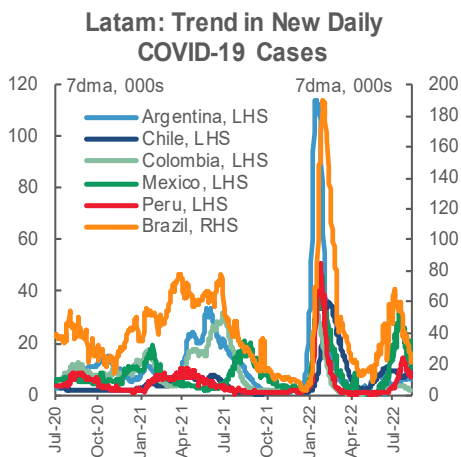
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 6



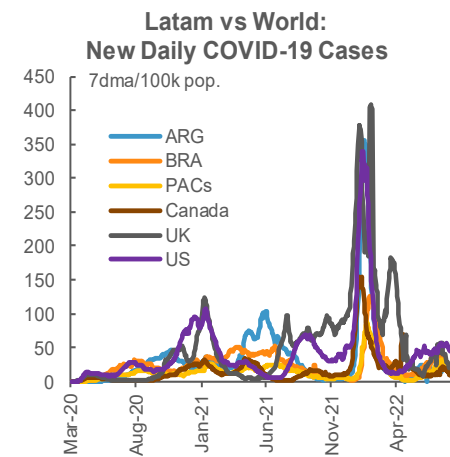
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 7



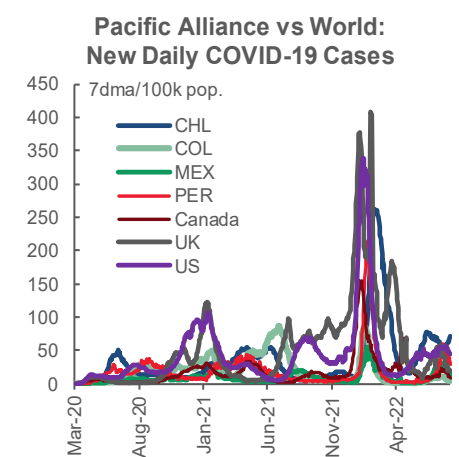
Sources: Scotiabank Economics, Johns Hopkins University.

Chart 8



Sources: Scotiabank Economics, Johns Hopkins University.

Chart 9



Sources: Scotiabank Economics, Johns Hopkins University.

Key COVID-19 Charts

Chart 10

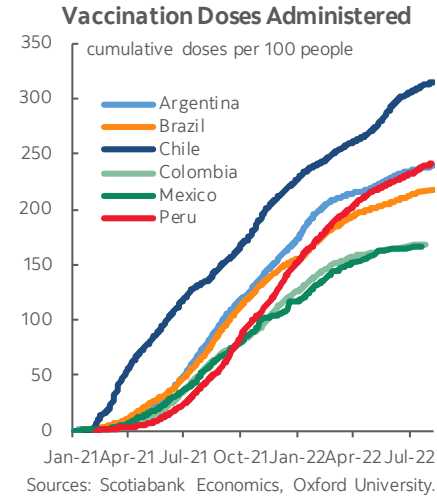


Chart 11

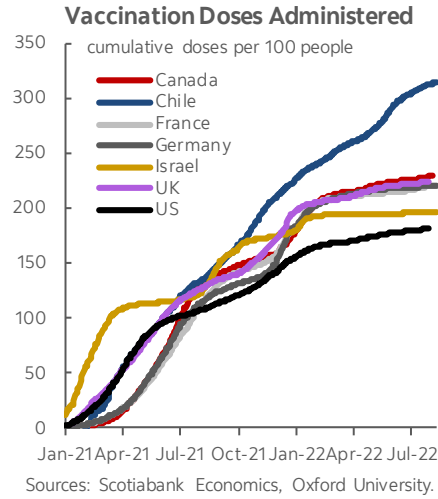
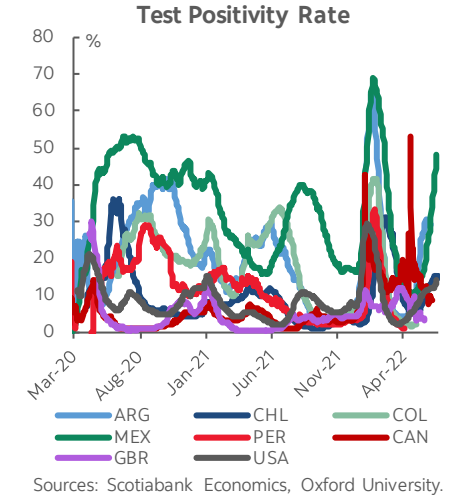


Chart 12



Market Events & Indicators for August 13–26

ARGENTINA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-17	15:00 Capacity Utilization (%)	Jun	--	--	68.4	
Aug-17	UTDT Leading Indicator	Jul	--	--	-0.85	
Aug-22	15:00 Trade Balance (USD mn)	Jul	--	--	-115	
Aug-22	15:00 Exports Total (USD mn)	Jul	--	--	8432	
Aug-22	15:00 Imports Total (USD mn)	Jul	--	--	8547	
Aug-22	Budget Balance (ARS mn)	Jul	--	--	-321644.4	
Aug-23	15:00 Economic Activity Index (m/m)	Jun	--	--	0.3	
Aug-23	15:00 Economic Activity Index (y/y)	Jun	--	--	7.4	
Aug-24	15:00 Shop Center Sales (y/y)	Jun	--	--	284.01	
Aug-24	15:00 Supermarket Sales (y/y)	Jun	--	--	-0.57	
Aug-25	Consumer Confidence Index (%)	Aug	--	--	34.74	

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-15	8:00 Economic Activity (m/m)	Jun	--	0.2	-0.11	
Aug-15	8:00 Economic Activity (y/y)	Jun	--	2.6	3.74	
Aug-15	8:25 Central Bank Weekly Economist Survey		--	--	--	
Aug-15	14:00 Trade Balance Weekly (USD mn)	14-Aug	--	--	1236.15	
Aug-16	7:00 FGV CPI IPC-S (%)	15-Aug	--	--	-1.13	
Aug-17	4:00 FIPE CPI - Weekly (%)	15-Aug	--	--	0.02	
Aug-17	7:00 FGV Inflation IGP-10 (m/m)	Aug	--	--	0.6	
Aug-22	7:25 Central Bank Weekly Economist Survey		--	--	--	
Aug-22	14:00 Trade Balance Weekly (USD mn)	21-Aug	--	--	1236.15	
Aug-23	7:00 FGV CPI IPC-S (%)	22-Aug	--	--	-1.13	
Aug-24	8:00 IBGE Inflation IPCA-15 (m/m)	Aug	--	--	0.13	
Aug-24	8:00 IBGE Inflation IPCA-15 (y/y)	Aug	--	--	11.39	
Aug-25	4:00 FIPE CPI - Weekly (%)	23-Aug	--	--	0.02	
Aug-25	7:00 FGV Consumer Confidence	Aug	--	--	79.5	
Aug-26	7:00 FGV Construction Costs (m/m)	Aug	--	--	1.16	
Aug-26	8:30 Current Account Balance (USD mn)	Jul	--	--	-2763.5	
Aug-26	8:30 Foreign Direct Investment (USD mn)	Jul	--	--	7581.2	
Aug 20-26	Tax Collections (BRL mn)	Jul	--	--	181040	
Aug 24-31	Formal Job Creation Total	Jul	--	--	198993	

CHILE

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-18	8:30 Current Account Balance (USD mn)	2Q	--	--	-5575	
Aug-18	8:30 GDP (y/y)	2Q	5.5	--	7.21	We expect GDP to be 5.5% y/y in Q2-2022, which is consistent
Aug-18	8:30 GDP (q/q)	2Q	0.3	--	-0.76	with our forecast of 2.1% GDP growth in 2022.
Aug-24	9:00 PPI (m/m)	Jul	--	--	1.1	

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-16	11:00 Trade Balance (USD mn)	Jun	--	-192.5	-1732.5	
Aug-16	11:00 Imports CIF Total (USD mn)	Jun	--	6250	6804.55	
Aug-16	12:00 GDP (q/q)	2Q	6.6	1.6	1.0	At the beginning of the second quarter, the economy continued
Aug-16	12:00 GDP NSA (y/y)	2Q	11.7	11.4	8.5	with a strong trend in all sectors, especially the services sector, which has been the main driver of growth. But by the end of the quarter, activity showed signs of moderation. This behaviour is expected to continue in the second half of the year amid persistent inflation and a stronger interest rate adjustment.
Aug-16	12:00 Economic Activity NSA (y/y)	Jun	9.0	--	16.5	In June, economic activity is expected to show some deceleration as base effects begin to fade, and coincident indicators show a degree of moderation as producer prices remain high, affecting production levels, along with a moderation in consumption, although we believe that this is healthy for the economy.
Aug-24	Retail Confidence	Jul	--	--	33.7	
Aug-24	Industrial Confidence	Jul	--	--	11.5	
Aug-26	Central Bank Board Meeting		--	--	--	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for August 13–26

MEXICO

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-16	10:00 International Reserves Weekly (USD mn)	12-Aug	--	--	--	199314
Aug-19	7:00 Retail Sales (m/m)	Jun	--	--	--	0.5
Aug-19	7:00 Retail Sales (y/y)	Jun	--	--	--	5.2
Aug-22	Banamex Survey of Economists		--	--	--	--
Aug-23	10:00 International Reserves Weekly (USD mn)	19-Aug	--	--	--	199314
Aug-24	7:00 Bi-Weekly CPI (%)	15-Aug	--	--	--	0.23
Aug-24	7:00 Bi-Weekly CPI (y/y)	15-Aug	--	--	--	8.14
Aug-24	7:00 Bi-Weekly Core CPI (%)	15-Aug	--	--	--	0.3
Aug-24	7:00 Bi-Weekly Core CPI (y/y)	15-Aug	--	--	--	7.75
Aug-25	7:00 GDP NSA (y/y)	2Q F	--	--	--	2.14
Aug-25	7:00 GDP SA (q/q)	2Q F	--	--	--	0.98
Aug-25	7:00 GDP Nominal (y/y)	2Q	--	--	--	10
Aug-25	7:00 Economic Activity IGAE (m/m)	Jun	--	--	--	-0.19
Aug-25	7:00 Economic Activity IGAE (y/y)	Jun	--	--	--	2.09
Aug-25	10:00 Current Account Balance (USD mn)	2Q	--	--	--	-6523
Aug-25	10:00 Central Bank Monetary Policy Minutes		--	--	--	--
Aug-26	7:00 Trade Balance (USD mn)	Jul	--	--	--	-3957.22
Aug-26	7:00 Exports (USD mn)	Jul	--	--	--	51234.08
Aug-26	7:00 Imports (USD mn)	Jul	--	--	--	55191.3

PERU

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-15	Economic Activity (y/y)	Jun	2.6	2.2	2.28	Economic activity is largely driven by primary sectors, mainly fishing and mining. Sectors linked to domestic demand continue to slow down.
Aug-15	Lima Unemployment Rate (%)	Jul	6.6	--	6.8	Gradual recovery in the labour market, mainly commerce and services.
Aug-22	GDP (y/y)	2Q	2.3	--	3.8	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage



Local Market Coverage

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