Scotiabank

GLOBAL ECONOMICS

LATAM WEEKLY

February 7, 2025

Contributors

Juan Manuel Herrera
Senior Economist
juanmanuel.herrera@scotiabank.com

THIS WEEK'S CONTRIBUTORS:

Jackeline Piraján, Head Economist, Colombia
+57.601.745.6300 Ext. 9400 (Colombia)
jackeline.pirajan@scotiabankcolpatria.com

Valentina Guio, Senior Economist
+57.601.745.6300 (Colombia)
daniela.guio@scotiabankcolpatria.com

Daniela Silva, Economist
+57.601.745.6300 (Colombia)
daniela1.silva@scotiabankcolpatria.com

Rodolfo Mitchell, Director of Economic and Sectoral Analysis
+52.55.3977.4556 (Mexico)
mitchell.cervera@scotiabank.com.mx

Miguel Saldaña, Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Cesar Amador, Economic Analyst
Scotiabank Economics
416.862.3080
cesar.amador@scotiabank.com

Table of Contents

Latam Weekly: BCRP Decision, Latam Data vs US CPI and a TBD Tariffs Plan

ECONOMIC OVERVIEW

- **If you unbuckled your seatbelt, strap in again, there's more tariff risk around the corner to keep market volatility elevated and frustrate economists' projections.**
- **A busy week of key Latam CPI data is followed by a quieter data slate where Mexican industrial production and a collection of Colombian macro figures on Friday are the highlights.**
- **As far as data are concerned, global markets will focus on US CPI on Wednesday, but the main event will be an (unscheduled) announcement by Pres Trump on a reciprocal tariffs plan.**
- **Peru's central bank announces its latest rate decision on Thursday, when we expect a rate hold at 4.75% despite encouraging inflation trends and a benign currency environment—that would allow a March cut.**

PACIFIC ALLIANCE COUNTRY UPDATES

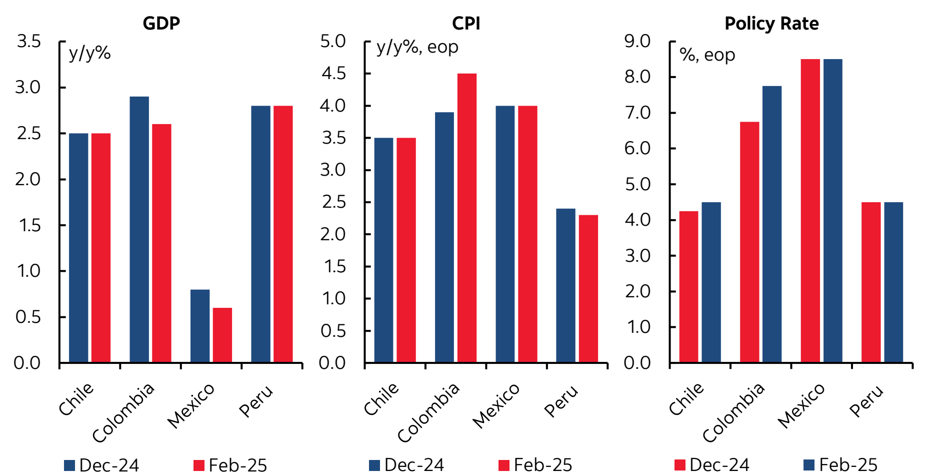
- **We assess key insights from the last week, with highlights on the main issues to watch over the coming fortnight in the Pacific Alliance countries: Colombia, Mexico and Peru.**

MARKET EVENTS & INDICATORS

- **A comprehensive risk calendar with selected highlights for the period February 8–21 across the Pacific Alliance countries and Brazil.**

Chart of the Week

Scotiabank Economics' 2025 Forecasts, Pre- and Post-Trump Inauguration



Source: Scotiabank Economics.

Chart of the Week: Prepared by: Cesar Amador, Economic Analyst.

Economic Overview: BCRP Decision, Latam Data vs US CPI and a TBD Tariffs Plan

CONTRIBUTORS

Juan Manuel Herrera
Senior Economist
juanmanuel.herrera@scotiabank.com

- **If you unbuckled your seatbelt, strap in again, there's more tariff risk around the corner to keep market volatility elevated and frustrate economists' projections.**
- **A busy week of key Latam CPI data is followed by a quieter data slate where Mexican industrial production and a collection of Colombian macro figures on Friday are the highlights.**
- **As far as data are concerned, global markets will focus on US CPI on Wednesday, but the main event will be an (unscheduled) announcement by Pres Trump on a reciprocal tariffs plan.**
- **Peru's central bank announces its latest rate decision on Thursday, when we expect a rate hold at 4.75% despite encouraging inflation trends and a benign currency environment—that would allow a March cut.**

It's been less than a week since Trump announced the US would impose tariffs on Mexico, Canada, and China but markets and economists have lived a lifetime over the period (like that scene in Saving Private Ryan where Matt Damon ages 50 years in a second). A rollercoaster of tariff announcements with agreed pauses or retaliatory moves, Banxico and BoE decisions, a flood of US data, and CPI figures from Peru, Chile, and Mexico (and Colombia later today, Friday) have kept everyone on their toes, ready to trade on the latest headline.

Who knows what awaits markets next week on the geopolitical front with Trump expected to unveil a reciprocal tariffs plan at a to-be-determined date, with the coverage of goods, countries, and tariff rates up in the air. Trade volatility will continue, but there are also key events and data on tap in Latam and the G10 to influence trading. Next week is split between a relatively quiet first half and a busier week starting Wednesday with the release of US CPI and the minutes to the latest BCCh decision, followed by the BCRP's rate announcement on Thursday alongside more Latam, US, and UK data that day and on Friday.

Mexico's calendar is fairly quiet next week as far as data and events are concerned, with the release of December industrial production figures out on Tuesday acting as the on-schedule highlight. As our local economics team explains in today's report, Mexico's manufacturing weakness was well entrenched at the close of 2025, with a fifth consecutive year-on-year decline expected in next week's data—with limited optimism in the months ahead amid trade uncertainty (a partial driver of the team's negative growth revisions). It will be trade risks and developments that should be in focus for Mexican markets as we monitor the possibility of movement in negotiations to make the US's one-month tariff pause permanent. We'll also keep an ear out for possible comments by Banxico officials after the **50bps cut decision**.

The minutes to the latest BCCh decision are out on Wednesday, and should show caution among Chilean central bankers to consider additional rate cuts. Choosing to pause rate cuts at its January 28th meeting, the BCCh also introduced a neutral bias to its statement, thus doing away with policy easing references amid near-term inflationary risks (see **latest**) that have even introduced the possibility of rate hikes. As things stand, our team in Chile does not expect hikes, but they no longer expect rate cuts by the BCCh in Q1 nor Q2 as shown in our previous *Weekly*, shifting their view to a rate pause at 5.00% lasting into Q3 (for an end-2025 rate of 4.50%, 25bps higher). We'll see whether economists and traders agree, with their respective calls due for release on Tuesday and Friday in the latest results to the BCCh's surveys.

Peru does not release key data during the workweek but, as one should be used to by now, the INEI will publish December GDP data on Sunday to leave markets to react to the figures on Monday; our team in Lima go over their projection for 4%+ y/y growth. Prior to the GDP data release, the BCRP has its monthly policy announcement on Thursday, when we expect that officials led by Velarde will opt for a rate hold after a 25bps rate cut that surprised a decent share of economists in January. The BCRP continues to get encouraging inflation prints, the PEN has been well behaved, and tariff risks are, so far, relatively limited for Peru so more easing is likely in coming months, though next week is likelier to be a placeholder with not enough information between meetings to go back-to-back.

Last but not least, Colombian markets will open on Monday to react to Friday's January CPI data, as well as the Friday release of the government's Financing Plan (see **here**) which, prior to its publication, our economists in Bogota anticipated would result in a steepening of Colombia's sovereign debt curve. The reaction in markets, possibly that of rating agencies (at least in terms of statements), and public comments made by FinMin officials to calm markets (if needed) will be important to follow. Aside from public finances developments, we'll also watch the release of Colombian international trade, retail sales, and industrial production data on Friday. With inflationary pressures heavily reignited by a huge minimum wage increase in January, the strength of Colombia's economy is also under consideration by BanRep officials when it comes to resuming cuts after a late-January hold (see **here**). For now, we anticipate a 25bps cut at the March gathering. On a related note, in today's report, the team looks at the possible impacts of domestic and external uncertainty on Colombia's economy, with four key fronts to watch: market volatility, international trade, investment, and second-round effect of US immigration policy on remittances.

Pacific Alliance Country Updates

Colombia—Potential Impacts of the Political Uncertainty in Colombia

Jackeline Piraján, Head Economist, Colombia
+57.1.745.6300 Ext. 9400 (Colombia)
jackeline.pirajan@scotiabankcolpatria.com

Valentina Guio, Senior Economist
+57.601.745.6300 (Colombia)
daniela.guio@scotiabankcolpatria.com

Daniela Silva, Economist
+57.601.745.6300 (Colombia)
daniela1.silva@scotiabankcolpatria.com

Political uncertainty is a typical ingredient of macro forecasting. Outside of Colombia, Trump's tariffs threats have been a concern for the world. In the case of Colombia, the episode on Sunday, January 26th, demonstrated that the US is willing to act against any country that doesn't 'cooperate' with its security priorities (immigration and drugs). Although this episode was relatively short-lived, it demonstrates that political uncertainty remains key to assessing the risk balance.

In Colombia, a scenario of direct trade and financial restrictions would be extremely negative; this scenario is not the base case. Instead, we prefer to analyze some channels of the impact of current ongoing fears of a trade war. In that regard, we identify four potential fronts: the first is related to market volatility, the second is on trade accounts, the third is a real channel of investments, and the last is a second-round effect on remittances.

The first channel, market reaction, is instantaneous to new information. Since Trump's election, the concern around the trade war has become evident in a stronger dollar. In the case of Colombia, some domestic developments are contributing to the COP deviating from this trend, especially the fact that the central bank has become even more cautious in the easing cycle due to risk around fiscal accounts, the minimum wage increase, and global uncertainty, which is in the short term fuelling carry trades positioning in COP coupled with some purchase of COLTES from offshore accounts. Second, we are closer to a tax season that usually impulses dollar inflows. Third, the economy is still growing below potential, and the demand for dollars for imports is insufficient to impulse a trend in the FX. In the case of a trade war escalation, the COP could respond to the uncertainty but could be contained by local developments. In our fundamental model, we see a fundamental value of around $4,350, which reflects the uncertainty for a potential trade war, but we estimate that around 100 pesos could vanish if the market perceives the trade war's real implementation is not credible.

In the second channel, we have trade accounts. Exports, in real terms, represent around 14.5% of GDP, while imports are around 22% of GDP. In nominal terms (Balance of Payments), exports are 16.5% of GDP and imports are 18.7% of GDP. Exports are ~58% of traditional exports that include coffee, oil, ferronickel, and coal. Exports of oil are the most relevant account, representing ~32% of total exports. In the case of imports, ~47% are inputs, especially for the industrial sector (34% of total exports), while consumption goods represent 26% and capital goods represent 27%. The US is our main trading partner. However, our sales are focused on oil and primary goods, while imports are split between gasoline and mineral oils (30%), cereals (10%), and other input and machinery purchases (charts 1 and 2). On that front we see a contained impact as our products could have a relatively low price-elasticity. Additionally, in the indirect effect, Colombia could be positioned as an alternative market to deepen trade relations, however in the case of the destiny of imports, we are currently a limited market as economic growth is still below potential, while in the case of exports, we are still mostly based on primary goods, despite having seen a rebound in non-traditional exports.

Chart 1

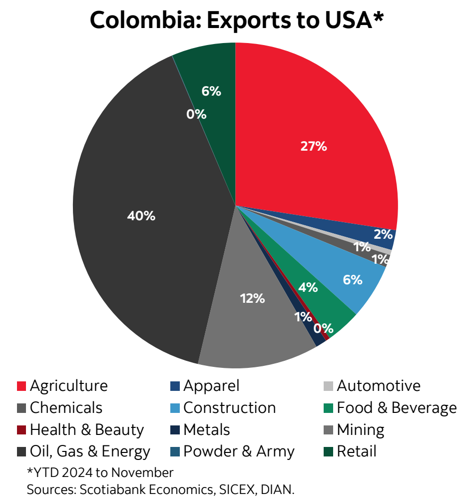
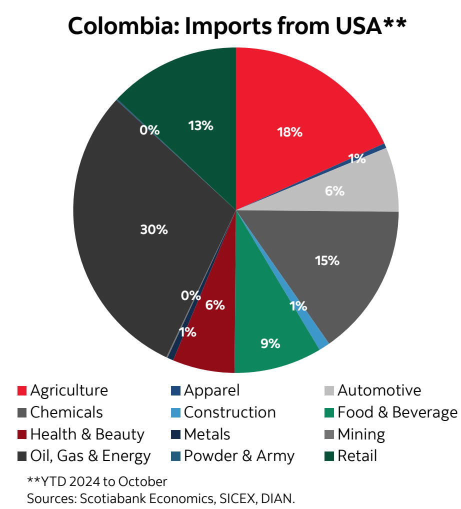


Chart 2



The third channel is the most interesting one. The US government is using the trade war threat to leverage negotiations on other fronts. However, the confidence shock of this back and forth could reflect less appetite for real investment. In Colombia, we are already operating with very low investment levels (17% of GDP vs a pre-pandemic average of 22% GDP), and the international scenario could put an additional headwind on this front. Additionally, not only the private sector could have preventions to invest, but the economic policy authorities are also in a cautious mode; the central bank slowed down the easing cycle in December and stopped it in January, responding to domestic risks of inflation but also to international uncertainties. In the case of fiscal policy, the financing cost remains elevated, and global uncertainty represents a challenge that will prevent this cost from going down.

Our current forecast for GDP growth in 2025 is 2.6%, which assumes a more gradual recovery amid the uncertainties of local and international environments. However, if a trade war materializes, it could skew the forecast to the downside in a size that will depend on the duration and the way that restrictions are placed.

The last channel is remittances. In Colombia, remittances in 2024 were around USD 12 bn (~2.7% of GDP, half of oil exports) and represented an important source of income for some part of the population and could be one of the explanations for why the participation in the labour market in Colombia remains below pre-pandemic standards. The US policy to avoid illegal immigration could at least diminish the new flow of immigrants and slow down the increase of those inflows to the economy. Though we don't expect remittances to contract, a stagnation in growth could at least motivate a moderate increase in labour participation, which, in the context of still-weak economic activity, could lead to a slightly higher unemployment rate. Our current forecast is an unemployment rate of 10.2% in 2025.

All in all, political uncertainty remains in the spotlight, but we must distinguish between threat and real action. For now, we maintain our current economic forecast, which includes the impact of increased caution in the central bank and limited space to have a fiscal impulse, all in a context in which we expect financial conditions to remain tight globally.

Mexico—Industrial Production on Tap; Negative Growth Forecast Revisions

Rodolfo Mitchell, Director of Economic and Sectoral Analysis
+52.55.3977.4556 (Mexico)
mitchell.cervera@scotiabank.com.mx

Miguel Saldaña, Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Next week, INEGI will release industrial production data for December, in which we anticipate that the contraction observed over the past four months will continue, deepening the deterioration seen in November (-1.40% y/y). If the flash estimate for secondary industry GDP in the quarterly accounts is correct, industrial production would average an annual decline of -1.7% y/y during Q4, implying a similar decline in December alone (-1.7%), but we believe the risk is skewed to the downside. In this regard, despite the possibility of some rebound in manufacturing (as some agents may have brought forward their production in anticipation of potential tariffs in the U.S.), construction could maintain a decline close to the previous month's figure (-4.2%). For mining, we foresee that the negative trend will continue, given the deterioration observed in oil production. Finally, we expect that utilities could serve as a buffer for the overall decline, with an annual expansion above 2.0%, although significantly below its pre-pandemic levels. With this, for the whole of 2024, the flash GDP estimate anticipated an annual advance of just 0.3%, thanks to the gains in the first half of 2024. At the beginning of 2025, we believe industry will remain in negative territory, resulting in the GDP component being most affected by uncertainty over trade relations between Mexico and the United States. Although it is neither clear nor desirable that tariff measures will be applied for either economy, the generated uncertainty has been sufficient for companies to adopt greater risk aversion in their business plans, particularly in manufacturing.

Considering this week's events on tariffs and the Mexico-US relationship under the Trump administration we have decided to revise downward our forecast for Mexican GDP growth due to increased tariff uncertainty as well as the implementation of migration and drug trafficking policies that could impact both investment and consumption. In this regard, we anticipate that the Mexican economy will show less dynamism during 2025 and grow only 0.6% for the year, down from the previously forecast 0.8%. This is due to the expectation that the decline in both public and private investment will continue, as well as the slowdown in job creation. We also anticipate that remittances will be affected by the deportations and likely reduced migration to the north. The aforementioned factors, we believe, will undoubtedly affect consumption, one of the main drivers of the national economy. Similarly, we have revised downward our growth forecasts for 2026 and 2027, due to the impact and loss of competitiveness from lower investment.

Peru—The Strength of GDP Growth Going Into 2025 Trumps Trump's Tariffs

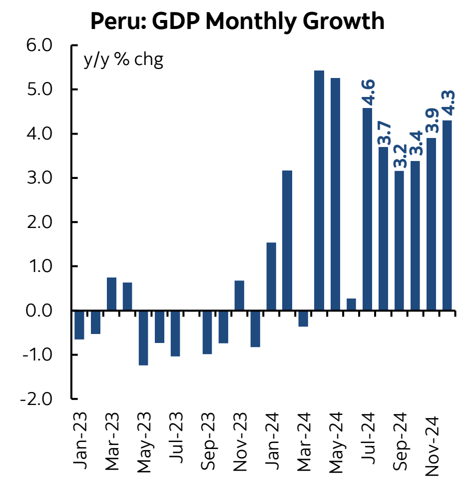
Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Upcoming Data

On February 15th, December and full-year 2024 growth figures will be released. We are optimistic that December growth will surpass 4.0%, going perhaps as high as 4.3% y/y. This would ensure 3.2% growth for the full-year, and even come within range of 3.3%.

Our 4.3% GDP growth forecast for December takes into account partial growth figures that have been released. These figures were quite robust. Fishing rose 76.8% y/y and agriculture was up 7.5%. Mining and oil & gas rose only 2.0%, but has added to growth, rather than subtracting, as the sector so frequently has in previous months (chart 3).

Chart 3

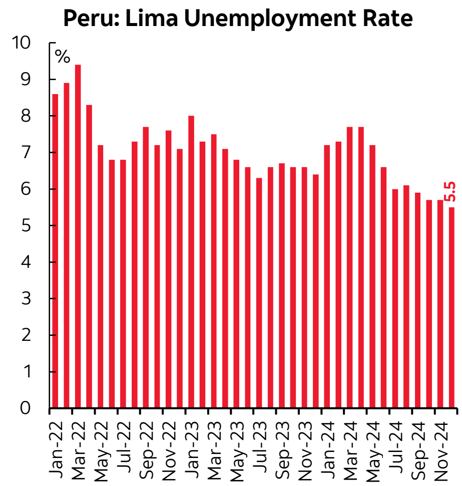


Sources: Scotiabank Economics, INEI.

The fishing and agriculture figures suggest the need to exercise a bit of caution in our optimism. The November to January fishing season was very strong. But, it ended in January. Excluding fishing, aggregate GDP would be trending in the low 3%, rather than hovering around 4%. Likewise, monthly agriculture GDP has been all over the place in 2024, after the 2023 El Niño wreaked havoc on the seasonal comparison base. Agriculture GDP rose 4.9% in full-year 2024, which irons out the volatility and is a truer measure of the sector's performance.

More than the figures themselves, there is a general feeling that the economy is chugging along. The labour market has become clearly supportive, with the unemployment rate falling to 5.5% at year-end 2024, a level not seen in recent history (chart 4). Jobs growth is particularly strong in agroindustry, which is partly seasonal. However, jobs growth is broad enough to suggest that there is something more substantive behind it. On February 15th, employment data for January will be released, giving us the first picture of how 2025 is shaping up.

Chart 4



Sources: Scotiabank Economics, INEI.

Also coming soon, fourth quarter demand components growth will be released on February 21st. This will give us a better idea of just how strong consumption is, after having risen 3.5% in Q3. It will also tell us whether private investment continued weakish, or also began outperforming expectations as much of the rest of the economy has. The data will be crucial to see what is supporting growth, which, in turn, will give us more insight into whether we need to revise our 2.8% GDP growth forecast for 2025. Basically, the more evident it is that the private sector is driving growth rather than public sector spending, the more promising the outlook for 2025.

The Tariff Impact and Forecasts

The question have got the most over the past few days is how will the US tariff policy impact Peru. The first thing to consider is that no policy measure has been directed at Peru, nor is there reason to believe that—barring a global tariff—any will be. This means that any impact from tariffs will be indirect and, therefore, softened.

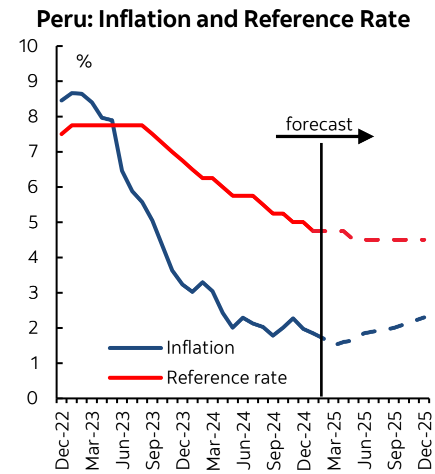
Since Peru is vulnerable to metal prices, the most likely conduct for an indirect impact from US tariff policy is through China. So far, however, the 10% tariff that has been levied on goods from China does not carry enough weight to have a strong impact on metal prices.

This does not mean that we see things for Peru as being on the same footing that they were a few weeks ago. We do see a greater risk environment and, as a result, are treading with greater caution in our future outlook, given how unpredictable US policy has become. It is not clear, for example, if the US tariff policy is part of a strategy that uses the threat of tariffs as a bargaining chip, or is it the result of a potentially enduring protectionist program. The distinction is important for Peru, because only the second case could conceivably lead to tariffs being levied that would encompass Peru exports.

In any event, as much as the future seems fraught with risk, our concerns regarding the measures given, or announced, so far are mild. As a result, we are not changing our forecasts. In particular, we will maintain our 2025 GDP growth at 2.8% for the time being, despite stronger-than-expected tailwinds going into 2025, which might otherwise merit an upward revision. Although, truthfully, we are also waiting to see what the Q4 demand components growth tells us.

Similarly, we are maintaining our year-end 2025 inflation forecast at 2.3%, despite the promising trend it has been following. Yearly inflation fell to 1.9% in January, and we expect inflation to fall even further in February–March, perhaps ending the quarter as low as 1.5%. Given this trend, it is tempting to revise our forecast downward. Instead, we shall err on the side of caution given the current environment of uncertainty, and postpone a revision for the time being.

Chart 5



Sources: Scotiabank Economics, BCR.

We continue to expect the BCRP to lower the reference rate one more time in coming months, from 4.75% to 4.50%. What with inflation performing better than expected, we were wondering whether the BCRP might not be considering an additional cut, to 4.25%. However, given the recent US tariff spats, the BCRP is likely to share our sense of caution, and resist the temptation. If anything, the possibility that the bank keeps its rate at 4.75% is no longer unconceivable (chart 5).

The other variable that could potentially be affected by US trade policy measures or threats would be the USDPEN FX rate. And yet, outside of a bit of intraday volatility, the PEN has performed with extraordinary stability over these turbulent days. PEN stability is being underpinned by stronger-than-expected external balances. The trade balance figure for 2024 should be released next week, although the preliminary information we are receiving points to a record USD 73bn surplus.

Short-term, and given as the March–April tax season is approaching, which is a time when mining companies typically sell USD and buy PEN massively to pay taxes, we can expect the PEN to strengthen until May or so. This factor should dissipate in the second half of the year, to be replaced by concerns regarding the 2026 political elections, with the PEN weakening once again. But this is not new. What is new is that US trade policy/threats has introduced a bit more uncertainty regarding base metal prices. While we are not changing our FX forecasts, we will be monitoring copper prices closely. A lot of Peru's economic future hinges on this.

Forecast Updates

	2023	2024				2025				2026							
Brazil	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Real GDP (y/y % change)	2.4	2.6	3.3	4.0	4.0	3.0	2.1	1.6	1.3	1.5	1.6	1.7	1.9	3.2	3.5	2.0	1.7
CPI (y/y %, eop)	4.6	3.9	4.2	4.4	4.8	5.4	5.6	5.6	5.5	4.9	4.6	4.4	4.2	4.6	4.8	5.5	4.2
Unemployment rate (%, avg)	7.4	7.9	6.9	6.4	6.2	6.8	6.7	6.8	6.8	7.6	7.8	7.2	7.0	7.4	6.9	6.8	7.4
Central bank policy rate (%, eop)	11.75	10.75	10.50	10.75	12.25	14.25	15.00	15.00	15.00	14.50	13.50	13.00	12.50	11.75	12.25	15.00	12.50
Foreign exchange (USDBRL, eop)	4.86	5.01	5.59	5.45	6.18	5.99	5.98	5.96	5.95	5.92	5.89	5.86	5.83	4.86	6.18	5.95	5.83

	2023	2024				2025				2026							
Chile	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Real GDP (y/y % change)	0.4	2.5	1.6	2.3	3.7	1.3	3.1	3.1	2.5	1.8	3.3	2.0	2.6	0.2	2.5	2.5	2.4
CPI (y/y %, eop)	3.4	3.2	3.8	4.0	4.5	4.9	4.4	4.0	3.5	2.3	2.8	2.9	3.0	3.4	4.5	3.5	3.0
Unemployment rate (%, avg)	8.5	8.7	8.3	8.7	8.1	8.3	8.1	8.0	7.6	8.0	8.1	8.0	7.6	8.5	8.5	8.0	7.9
Central bank policy rate (%, eop)	8.25	7.25	5.75	5.50	5.00	5.00	5.00	4.75	4.50	4.25	4.25	4.25	4.25	8.25	5.00	4.50	4.25
Foreign exchange (USDCLP, eop)	879	979	940	899	995	950	930	910	890	880	870	870	870	879	995	890	870

	2023	2024				2025				2026							
Colombia	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Real GDP (y/y % change)	0.4	0.7	2.1	2.0	2.7	2.3	2.6	2.6	2.9	2.8	2.8	2.9	2.9	0.6	1.9	2.6	2.9
CPI (y/y %, eop)	9.3	7.4	7.2	5.8	5.2	4.6	4.2	4.4	4.5	4.1	3.9	3.8	3.6	9.3	5.2	4.5	3.6
Unemployment rate (%, avg)	9.4	11.9	10.4	9.6	8.8	11.5	10.0	10.1	9.9	12.3	10.0	9.5	9.9	10.2	10.2	10.4	10.4
Central bank policy rate (%, eop)	13.00	12.25	11.25	10.25	9.50	9.25	8.75	8.25	7.75	7.25	6.75	6.50	6.50	13.00	9.50	7.75	6.50
Foreign exchange (USDCOP, eop)	3,855	3,852	4,153	4,207	4,406	4,349	4,358	4,375	4,367	4,356	4,363	4,355	4,364	3,855	4,406	4,367	4,364

	2023	2024				2025				2026							
Mexico	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Real GDP (y/y % change)	2.4	1.4	2.2	1.6	0.6	0.8	0.7	0.5	0.4	0.8	0.7	0.9	0.7	3.3	1.5	0.6	0.8
CPI (y/y %, eop)	4.7	4.4	5.0	4.6	4.2	3.9	3.9	3.8	4.0	3.8	3.8	3.9	3.7	4.7	4.2	4.0	3.7
Unemployment rate (%, avg)	2.7	2.5	2.7	3.0	2.5	3.3	3.3	3.4	3.5	3.6	3.7	3.8	3.8	2.8	2.7	3.4	3.7
Central bank policy rate (%, eop)	11.25	11.00	11.00	10.50	10.00	9.25	9.00	8.50	8.50	8.25	8.00	8.00	8.00	11.25	10.00	8.50	8.00
Foreign exchange (USDMXN, eop)	16.97	16.56	18.32	19.69	20.83	20.70	20.80	21.00	21.30	21.30	21.40	21.50	21.50	16.97	20.83	21.30	21.50

	2023	2024				2025				2026							
Peru	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Real GDP (y/y % change)	-0.3	1.4	3.6	3.8	3.8	3.9	3.4	2.0	2.0	2.8	2.5	2.4	2.3	-0.4	3.2	2.8	2.5
CPI (y/y %, eop)	3.2	3.0	2.3	1.8	2.0	1.5	1.9	2.0	2.3	2.0	2.2	2.2	2.2	3.2	2.0	2.3	2.2
Unemployment rate (%, avg)	6.4	7.7	6.6	5.9	5.5	6.4	6.2	5.7	5.4	6.2	6.0	5.4	5.2	6.8	6.5	6.0	5.7
Central bank policy rate (%, eop)	6.75	6.25	5.75	5.25	5.00	4.75	4.50	4.50	4.50	4.50	4.50	4.50	4.50	6.75	5.00	4.50	4.50
Foreign exchange (USDPEN, eop)	3.70	3.72	3.84	3.70	3.74	3.72	3.75	3.78	3.78	3.83	3.78	3.75	3.75	3.70	3.74	3.78	3.75

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
Red indicates changes in estimates and forecasts since previous *Latam Weekly* on January 17, 2025.

Forecast Updates—Changes Compared To Previous Latam Weekly

	2023	2024				2025				2026							
Brazil	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Real GDP (y/y % change)	-	-	-	-	-	-	-	-0.1	-0.3	-0.1	-0.1	-0.1	-	-	-	-0.1	-0.1
CPI (y/y %, eop)	-	-	-	-	-	0.2	0.4	0.4	0.4	0.3	0.2	0.2	0.1	-	-	0.4	0.1
Unemployment rate (%, avg)	-	-	-	-	0.2	-	-	0.1	0.1	0.2	0.6	-	-	-	0.1	0.1	0.2
Central bank policy rate (%, eop)	-	-	-	-	-	-	-	-	-	0.50	0.25	0.50	0.50	-	-	-	0.50
Foreign exchange (USDBRL, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2023	2024				2025				2026							
Chile	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Real GDP (y/y % change)	-	-	-	-	1.1	0.2	0.2	0.3	-0.7	-0.2	-0.2	-	-	-	0.3	-	-0.1
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (%, avg)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (%, eop)	-	-	-	-	-	0.25	0.75	0.50	0.25	-	-	-	-	-	-	0.25	-
Foreign exchange (USDCLP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2023	2024				2025				2026							
Colombia	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unemployment rate (%, avg)	-	-	-	-	-0.2	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (%, eop)	-	-	-	-	-	-	-	-	-	-	-	0.25	0.75	-	-	-	0.75
Foreign exchange (USDCOP, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2023	2024				2025				2026							
Mexico	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Real GDP (y/y % change)	-	-	-	-	0.1	0.2	-0.3	-0.4	-0.4	-1.0	-1.1	-1.0	-1.0	-	-	-0.2	-1.0
CPI (y/y %, eop)	-	-	-	-	-	-0.2	-	-	-	-	-	0.1	-	-	-	-	-
Unemployment rate (%, avg)	-	-	-	-	-0.2	-	-	-	-	-	-	-	-	-	-	-	-
Central bank policy rate (%, eop)	-	-	-	-	-	-0.25	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDMXN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

	2023	2024				2025				2026							
Peru	Q4	Q1	Q2	Q3	Q4e	Q1f	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2023	2024f	2025f	2026f
Real GDP (y/y % change)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
CPI (y/y %, eop)	-	-	-	-	-	-0.6	-0.3	-0.2	-	-	-	-	-	-	-	-	-
Unemployment rate (%, avg)	-	-	-	-	-	-0.2	-	0.2	-	-	-	-	-	-	-	-	-
Central bank policy rate (%, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Foreign exchange (USDPEN, eop)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Sources: Scotiabank Economics, Bloomberg, BCB, Haver Analytics, Focus Economics.
Changes in estimates and forecasts since previous *Latam Weekly* on January 17, 2024.

Forecast Updates: Central Bank Policy Rates and Outlook

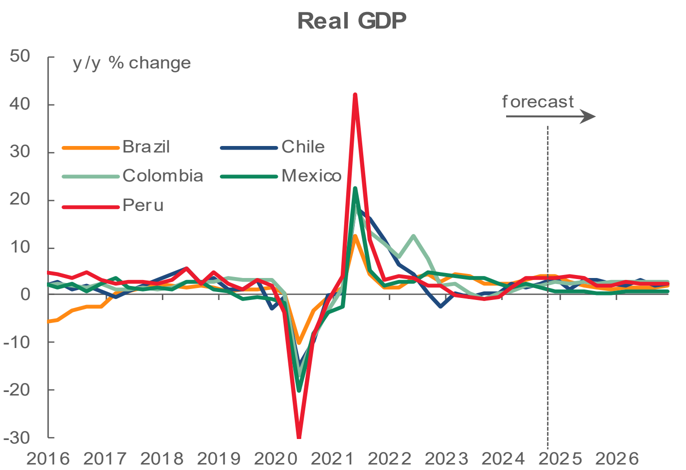
Latam Central Banks: Policy Rates and Outlook

		Next Scheduled Meeting		BNS Forecast		
	Current	**Date**	**BNS**	**End-2025**	**End-2026**	**BNS guidance for next monetary policy meeting**
Brazil, BCB, Selic	13.25%	Mar-19	13.25%	15.00%	12.50%	
Chile, BCCh, TPM	5.00%	Mar-21	5.00%	4.50%	4.25%	We expect the BCCh to maintain the policy rate at 5.00%.
Colombia, BanRep, TII	9.50%	Mar-31	9.25%	7.75%	6.50%	BanRep paused the easing cycle amid uncertainty about inflation reduction. The Board noted a need to monitor inflation trends following a higher-than-expected wage increase. International financial conditions and the local fiscal outlook are also issues of concern to the Board. In the Monetary Policy Report, the technical team realised its inflation projection, which reaches the target in 2026 (one year later than expected in the October 2024 report). For the March decision, we expect a 25 bps cut, however, the two inflation readings that we will know before the decision will be decisive in assessing the impact of the wage adjustment on prices.
Mexico, Banxico, TO	9.50%	Mar-27	9.50%	8.50%	8.00%	During the February meeting, Banxico signaled a dovish stance, stating that the Board would consider maintaining the cut pace in the next meetings. Although the Governing Board considers an upward-biased risk on inflation, it seems that Banxico expects that the broader economic weakness would put downward pressure on prices. Thus, the likelihood that the central bank will cut the benchmark interest rate by 50bps at the next meeting has considerably risen. However, given the high level of uncertainty and the upside risks in inflation, we remain with an 8.50% year-end forecast.
Peru, BCRP, TIR	4.75%	Feb-13	4.75%	4.50%	4.50%	The BCRP is comfortable in a scenario of controlled inflation, a stable exchange rate, and optimistic economic expectations. Although inflation would continue to be under downward pressure due to a base effect in February and March, we are inclined to think that in February the BCRP will maintain its rate at 4.75%, remaining cautious given the international context.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

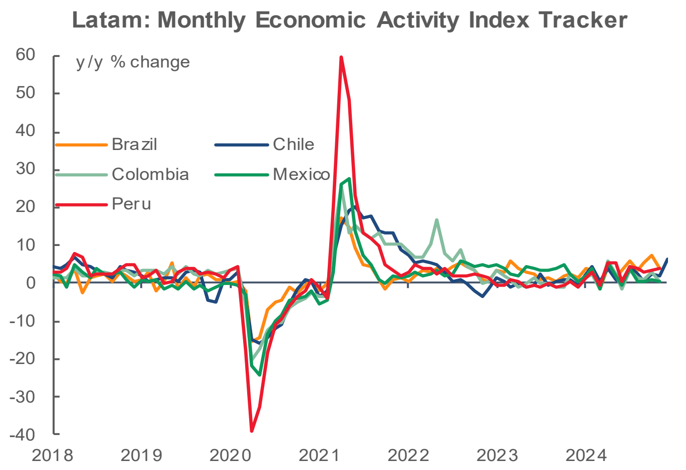
Key Economic Charts

Chart 1



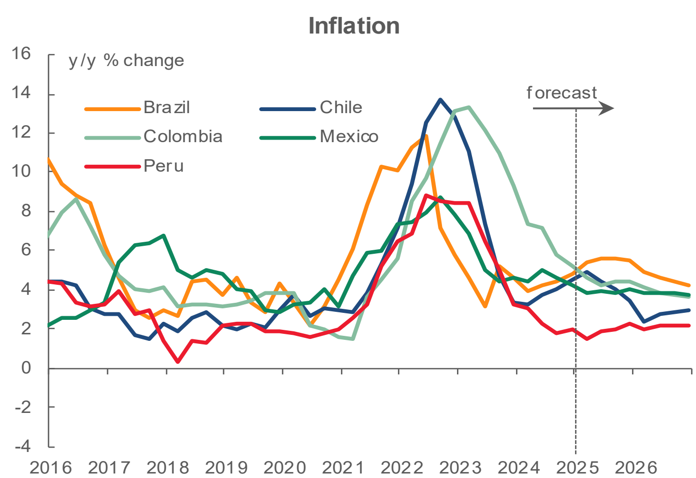
Sources: Scotiabank Economics, Bloomberg, Haver Analytics.

Chart 2



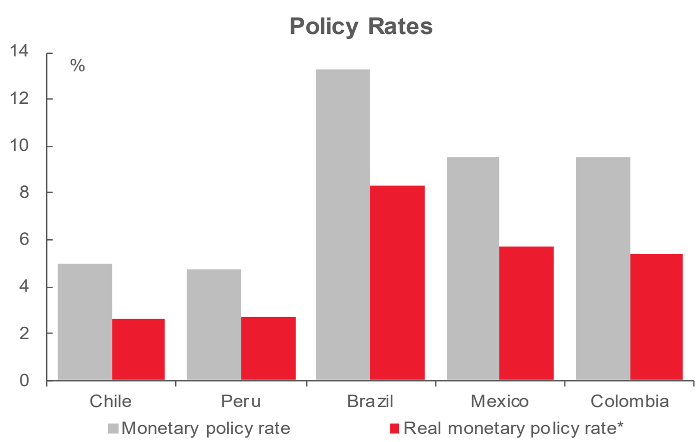
Sources: Scotiabank Economics, Haver Analytics.

Chart 3



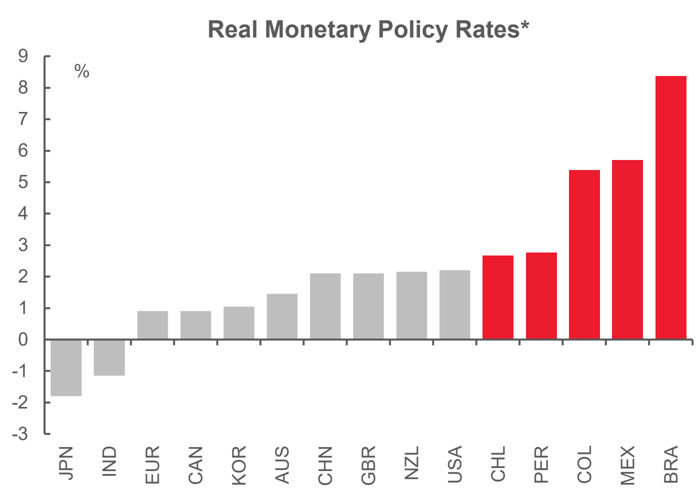
Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

Chart 4



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2026, % y/y.
Sources: Scotiabank Economics, Focus Economics, Haver Analytics.

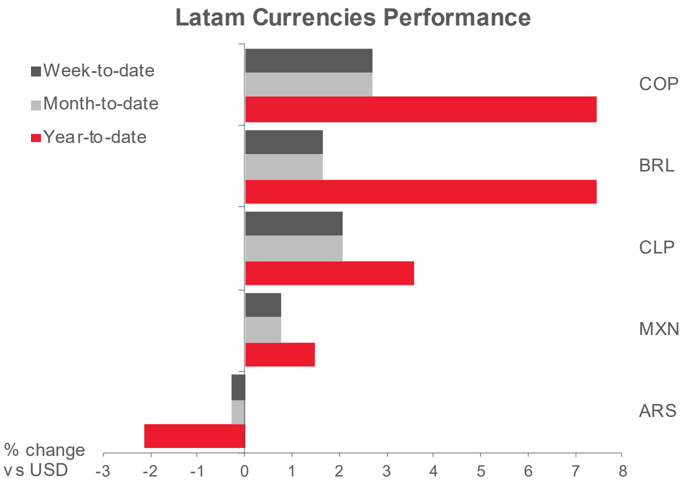
Chart 5



* Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2026, % y/y. Sources: Scotiabank Economics, Bloomberg.

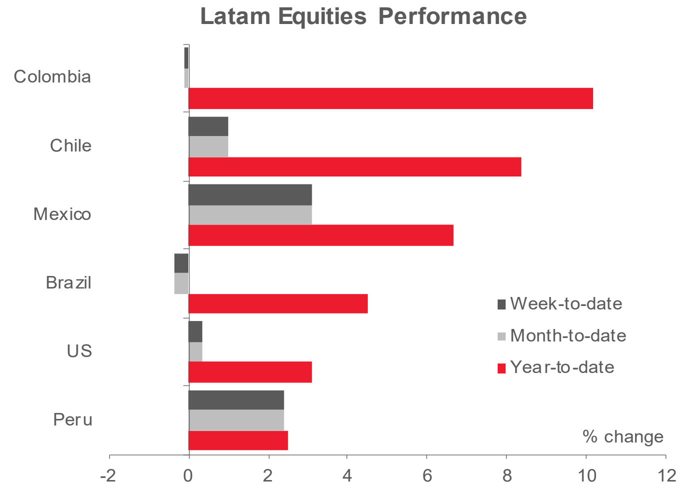
Key Market Charts

Chart 1



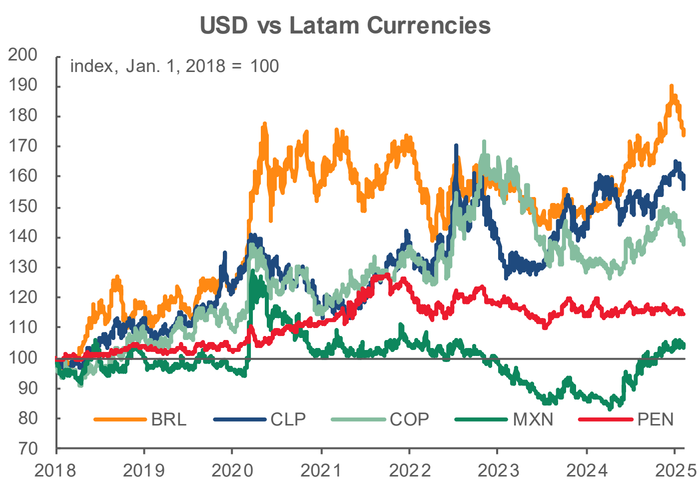
Sources: Scotiabank Economics, Bloomberg.

Chart 2



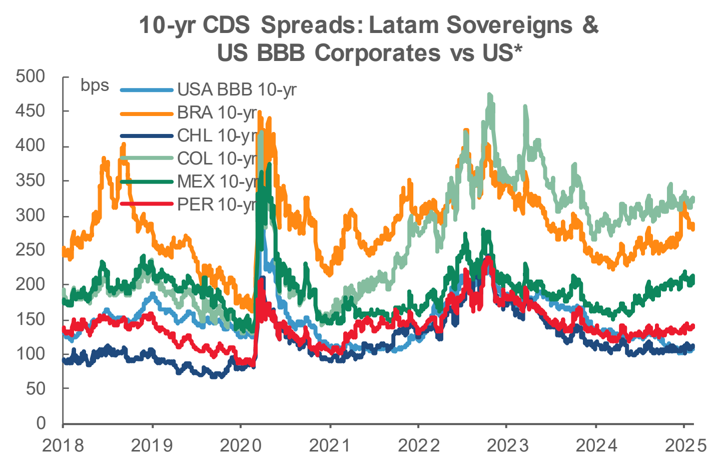
Sources: Scotiabank Economics, Bloomberg.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

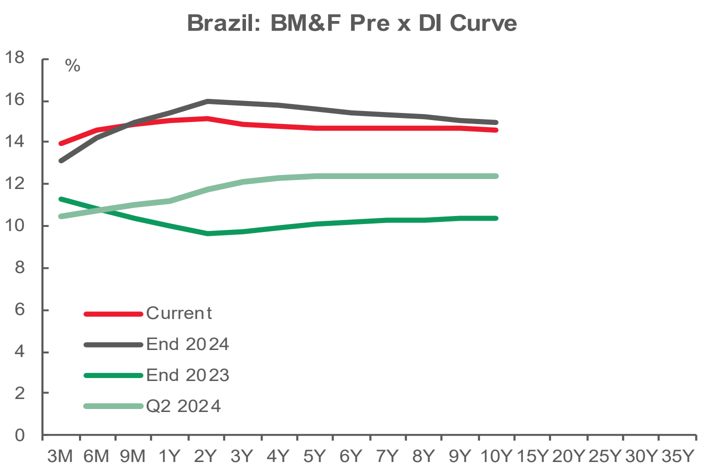
Chart 4



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

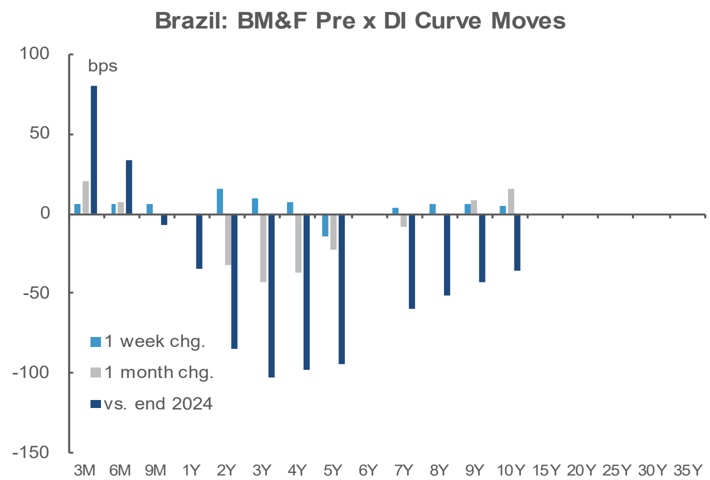
Yield Curves

Chart 1



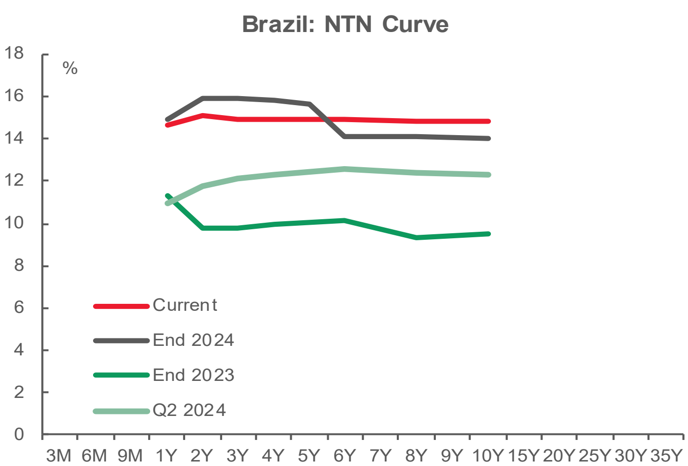
Sources: Scotiabank Economics, Bloomberg.

Chart 2



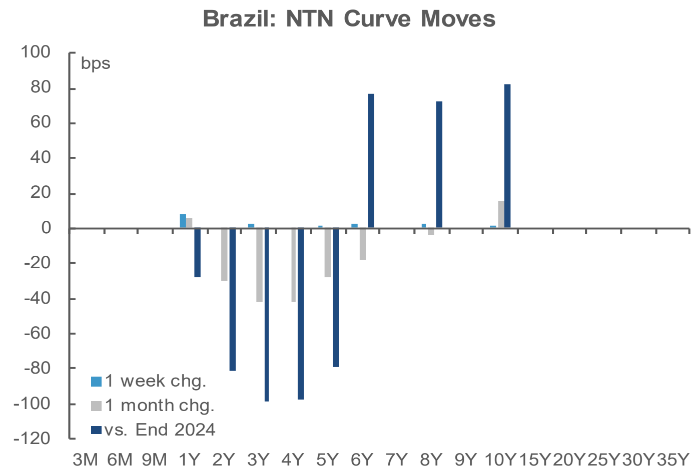
Sources: Scotiabank Economics, Bloomberg.

Chart 3



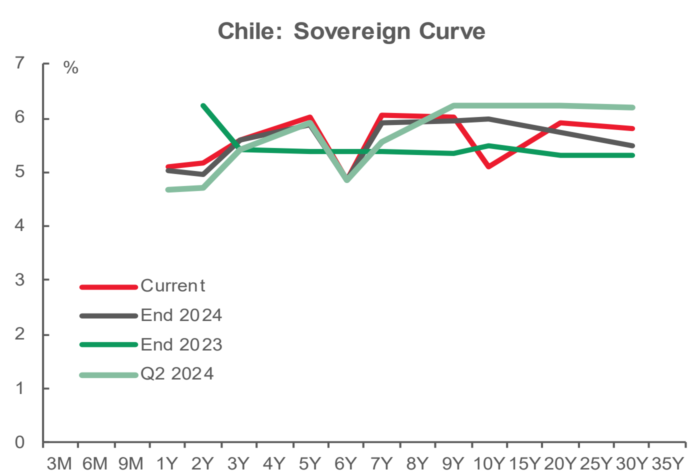
Sources: Scotiabank Economics, Bloomberg.

Chart 4



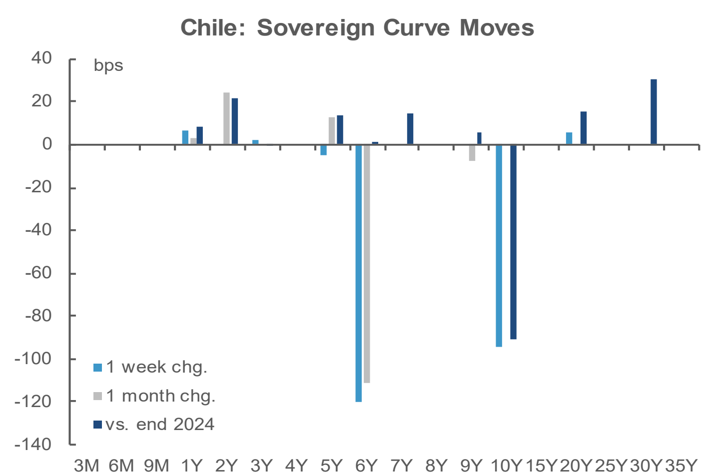
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

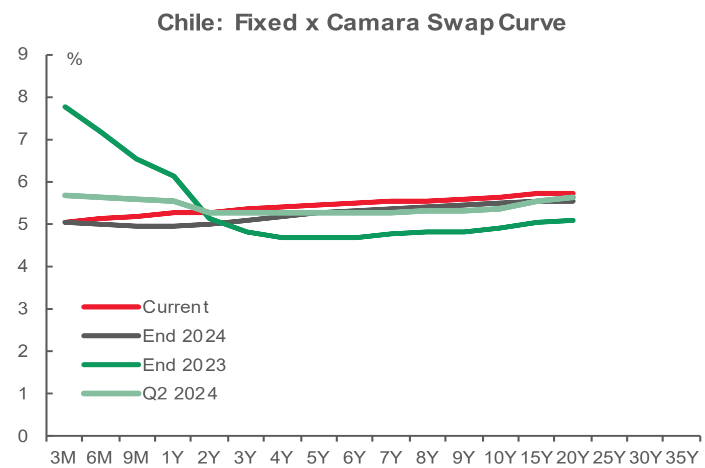
Chart 6



Sources: Scotiabank Economics, Bloomberg.

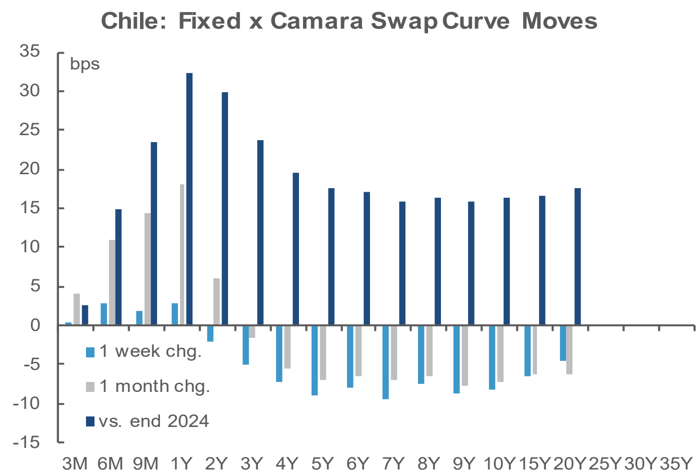
Yield Curves

Chart 7



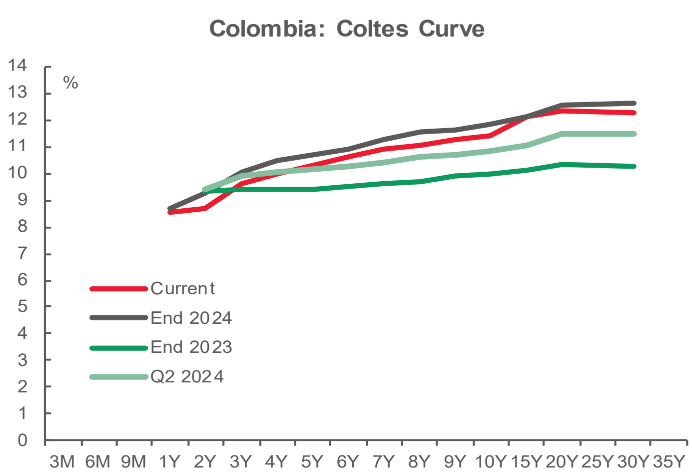
Sources: Scotiabank Economics, Bloomberg.

Chart 8



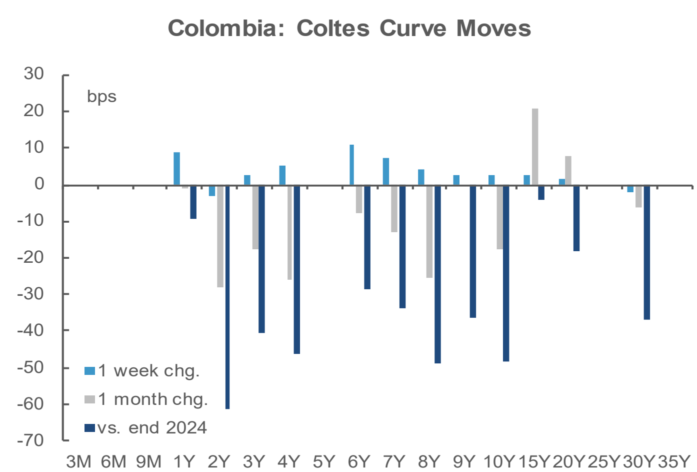
Sources: Scotiabank Economics, Bloomberg.

Chart 9



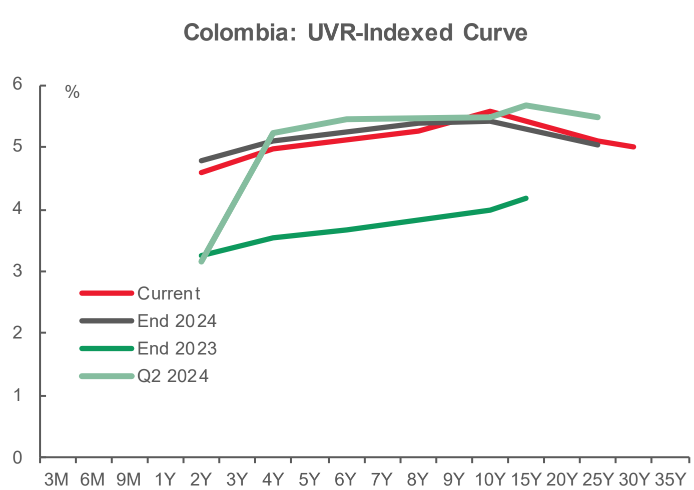
Sources: Scotiabank Economics, Bloomberg.

Chart 10



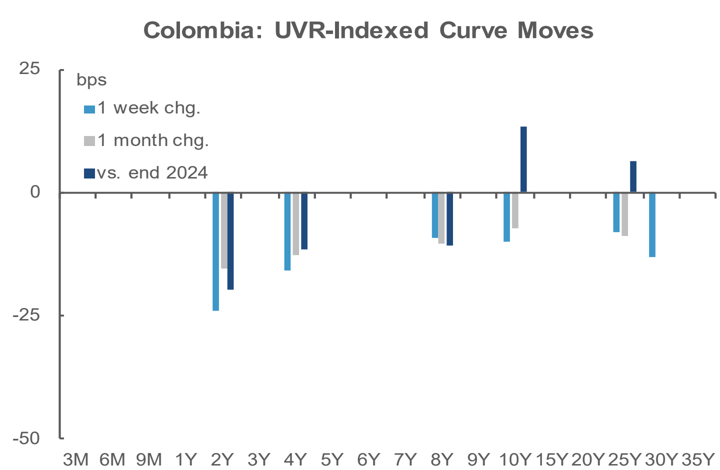
Sources: Scotiabank Economics, Bloomberg.

Chart 11



Sources: Scotiabank Economics, Bloomberg.

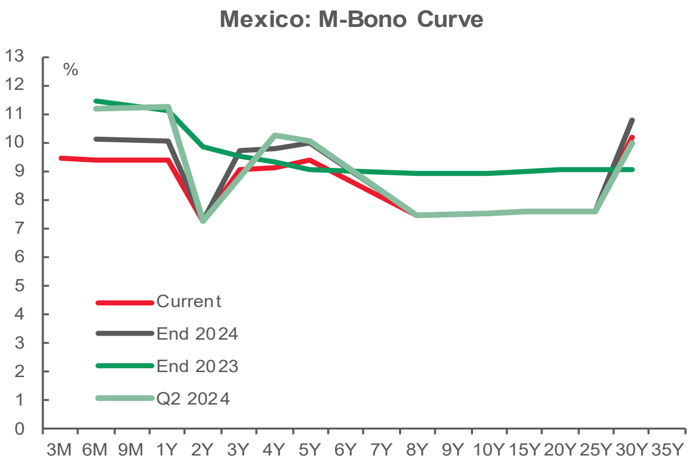
Chart 12



Sources: Scotiabank Economics, Bloomberg.

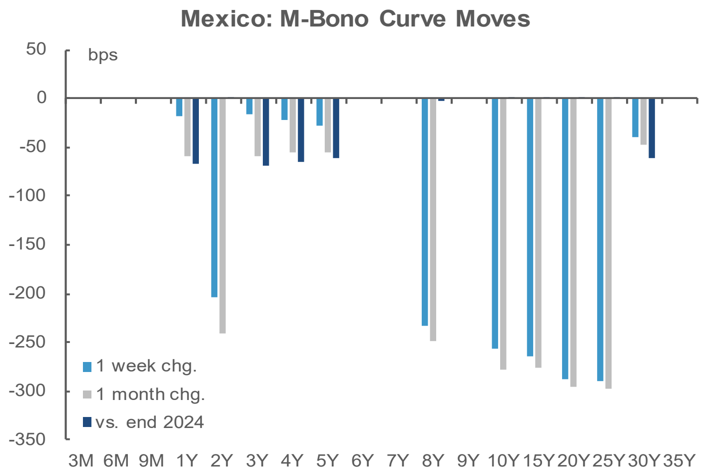
Yield Curves

Chart 13



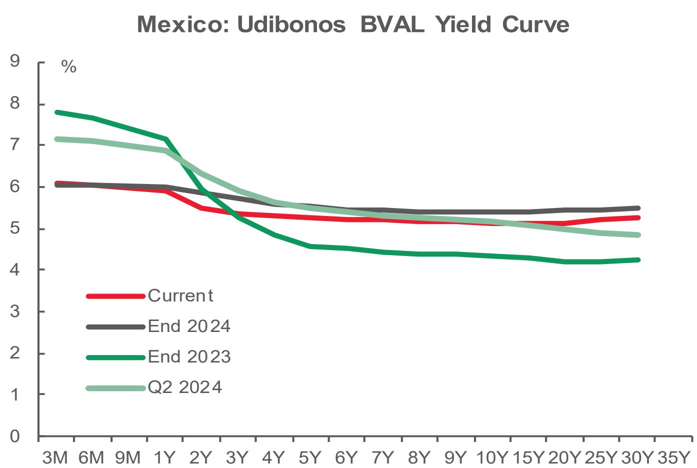
Sources: Scotiabank Economics, Bloomberg.

Chart 14



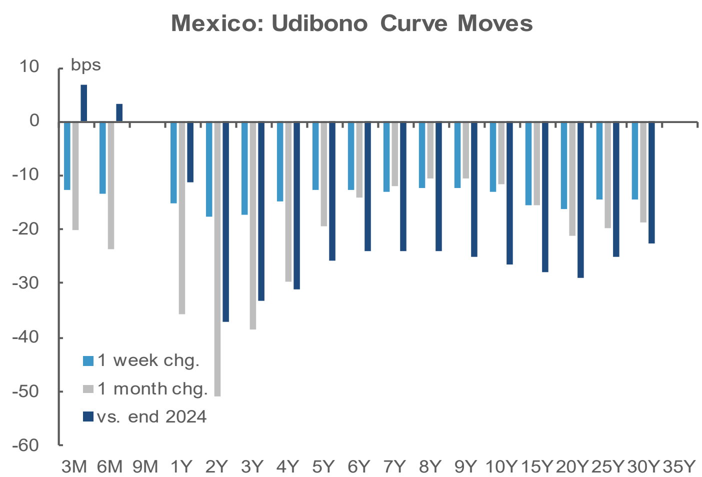
Sources: Scotiabank Economics, Bloomberg.

Chart 15



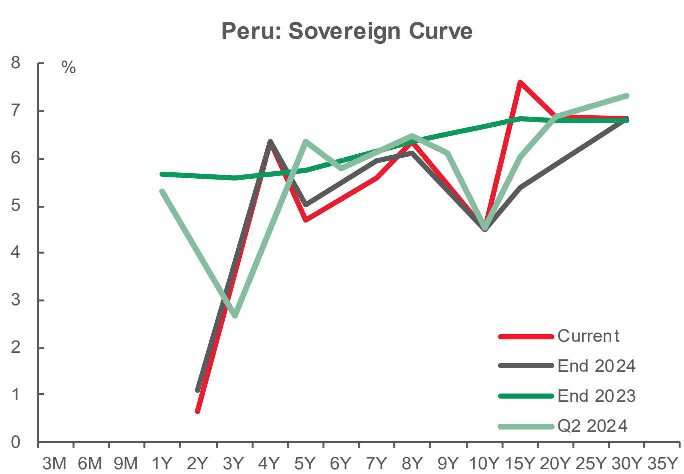
Sources: Scotiabank Economics, Bloomberg.

Chart 16



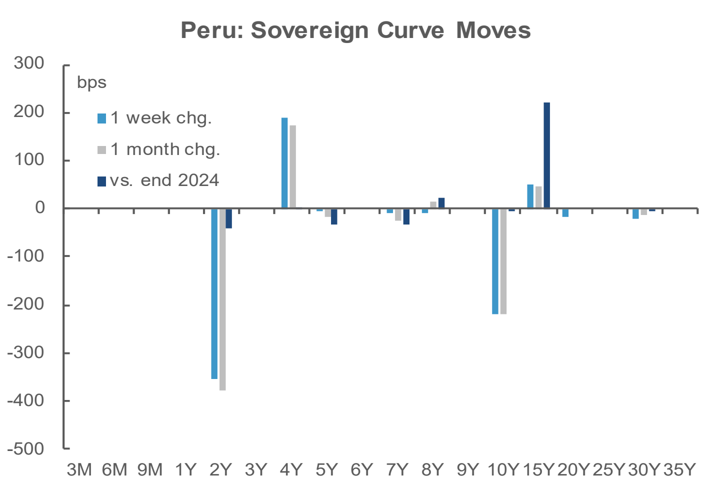
Sources: Scotiabank Economics, Bloomberg.

Chart 17



Sources: Scotiabank Economics, Bloomberg.

Chart 18



Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for February 8–21

BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-10	6:00	FGV CPI IPC-S (%)	07-Feb	--	--	0.02	
Feb-10	6:25	Central Bank Weekly Economist Survey		--			
Feb-10	13:00	Trade Balance Weekly USD mn	09-Feb	--	--	-35.9	
Feb-11	3:00	FIPE CPI - Weekly (%)	07-Feb	--	--	0.29	
Feb-11	7:00	IBGE Inflation IPCA y/y	Jan	--	4.58	4.83	
Feb-11	7:00	IBGE Inflation IPCA m/m	Jan	--	0.16	0.52	
Feb-12	7:00	IBGE Services Volume m/m SA	Dec	--	--	-0.9	
Feb-12	7:00	IBGE Services Volume y/y NSA	Dec	--	--	2.9	
Feb-13	7:00	Retail Sales Broad y/y	Dec	--	--	2.1	
Feb-13	7:00	Retail Sales y/y	Dec	--	--	4.7	
Feb-13	7:00	Retail Sales Broad m/m	Dec	--	--	-1.8	
Feb-13	7:00	Retail Sales m/m	Dec	--	--	-0.4	
Feb-17	6:00	FGV Inflation IGP-10 m/m	Feb	--	--	0.53	
Feb-17	6:00	FGV CPI IPC-S (%)	14-Feb	--	--	0.02	
Feb-17	6:25	Central Bank Weekly Economist Survey		--			
Feb-17	7:00	Economic Activity m/m	Dec	--	--	0.1	
Feb-17	7:00	Economic Activity y/y	Dec	--	--	4.11	
Feb-17	13:00	Trade Balance Weekly USD mn	16-Feb	--	--	-35.9	
Feb-18	3:00	FIPE CPI - Weekly (%)	14-Feb	--	--	0.29	
Feb 14-25		Formal Job Creation Total	Jan	--	--	-535547	

CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-11	6:30	Central Bank Economist Survey		--	--	--	
Feb-12	6:30	Central Bank Meeting Minutes		--	--	--	
Feb-14	6:30	Central Bank Traders Survey		--	--	--	

COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-12		Consumer Confidence Index	Jan	--	--	-3.4	
Feb-14	10:00	Trade Balance USD mn	Dec	--	-1260	-1380.1	
Feb-14	10:00	Imports CIF Total USD mn	Dec	--	5500	5874.37	
Feb-14	10:00	Retail Sales y/y	Dec	--	--	10.43	
Feb-14	10:00	Manufacturing Production y/y	Dec	--	--	-0.76	
Feb-14	10:00	Industrial Production y/y	Dec	--	--	-2.1	
Feb-17	11:00	GDP q/q	4Q	0.8	--	0.2	For the last quarter of 2024 we are expecting that sectors such as leisure (+15.5% Q4 y/y exp), agriculture (+8.8% Q4 y/y exp) and public administration (+2.7% Q4 y/y exp) continue with positive contributions to economic activity. However, sectors such as oil and mining (-3.1% Q4 y/y exp) will continue with a significant deceleration due to the politics related to decarbonization. With this result, economic growth could reach 1.9% y/y in 2024, showing an improvement compared to our previous update (1.5% y/y 2024).
Feb-17	11:00	GDP NSA y/y	4Q	2.7	--	2	
Feb-17	11:00	Economic Activity NSA y/y	Dec	--	--	0.36	
Feb-17	11:00	GDP Full Year y/y	2024	--	--	0.6	
Feb-18		Central Bank's Economists Survey		--			

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

Market Events & Indicators for February 8–21

MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-10	7:00	Vehicle Exports	Jan	--	--	265954	
Feb-11	7:00	Industrial Production NSA y/y	Dec	-1.7	--	-1.4	
Feb-11	7:00	Manuf. Production NSA y/y	Dec	--	--	-0.18	
Feb-11	7:00	Industrial Production SA m/m	Dec	--	--	0.14	
Feb-11	10:00	International Reserves Weekly USD mn	07-Feb	--	--	230764	
Feb-12	7:00	Vehicle Production	Jan	--	--	224913	
Feb 10-14		ANTAD Same-Store Sales y/y	Jan	--	--	1.2	
Feb 13-17		Nominal Wages y/y	Jan	--	--	10.02	
Feb-18	10:00	International Reserves Weekly USD mn	14-Feb	--	--	230764	
Feb-20	7:00	Retail Sales y/y	Dec	--	--	-1.9	
Feb-20	7:00	Retail Sales m/m	Dec	--	--	-0.1	
Feb-21	7:00	GDP NSA y/y	4Q F	0.6	--	0.57	
Feb-21	7:00	GDP SA q/q	4Q F	--	--	-0.55	
Feb-21	7:00	GDP Full Year y/y	2024	1.5	--	3.2	
Feb-21	7:00	Economic Activity IGAE y/y	Dec	--	--	0.53	
Feb-21	7:00	GDP Nominal y/y	4Q	--	--	7.03	
Feb-21	7:00	Economic Activity IGAE m/m	Dec	--	--	0.4	

PERU

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-13	**18:00**	**Reference Rate (%)**	**13-Feb**	**4.75**	**--**	**4.75**	
Feb-17	10:00	Lima Unemployment Rate (%)	Jan	6.4	--	5.5	
Feb-17	10:00	Economic Activity y/y	Dec	4.1	--	3.93	

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

Scotiabank Economics Latam Coverage

Local Market Coverage

CHILE

Website:	Click here to be redirected
Subscribe:	anibal.alarcon@scotiabank.cl
Coverage:	Spanish and English

COLOMBIA

Website:	Click here to be redirected
Subscribe:	jackeline.pirajan@scotiabankcolpatria.com
Coverage:	Spanish and English

MEXICO

Website:	Click here to be redirected
Subscribe:	estudeco@scotiacb.com.mx
Coverage:	Spanish

PERU

Website:	Click here to be redirected
Subscribe:	siee@scotiabank.com.pe
Coverage:	Spanish