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Latam Weekly: Regional GDP and Banxico Minutes

HIGHLIGHTS

- Next week should be a quieter one across Latam and the G10, with global trading thinned by U.S. and Canadian holidays on Monday (and Chinese New Year celebrations).
- Key releases and events are backloaded to the second half of the week, including Brazilian GDP and Banxico's minutes, as well as U.S. PCE and GDP, a possible decision by the U.S. Supreme Court on Trump's tariffs, and global PMIs.
- Latam kicks off the week with Peruvian and Colombian Dec/4Q GDP, on Sunday and Monday, to close out activity figures for 2025 showing Peru and Colombia grew by ~3.3% and ~2.8%, respectively, last year. Meanwhile, Brazil should clock in at a ~2.5% expansion, in spite of highly restrictive policy rates.

Chart of the Week

LATAM Equity Markets Extending Last Year's Outperformance Over the U.S. So Far in 2026

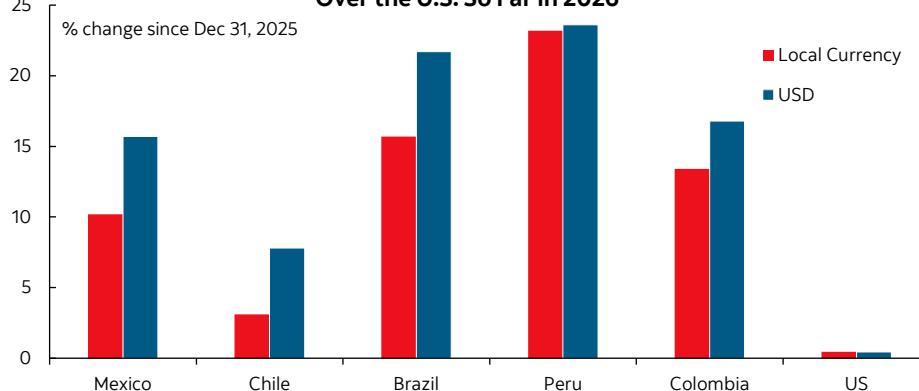


Chart of the Week: Prepared by: Anthony Bambokian, Senior Economic Analyst.

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Regional GDP and Banxico Minutes

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- **Latam kicks off the week with Peruvian and Colombian Dec/4Q GDP, on Sunday and Monday, to close out activity figures for 2025 showing Peru and Colombia grew by ~3.3% and ~2.8%, respectively, last year. Meanwhile, Brazil should clock in at a ~2.5% expansion, in spite of highly restrictive policy rates.**

Next week will generally be a quieter one across Latam and the G10, with global trading thinned by U.S. and Canadian holidays on Monday (and Chinese New Year celebrations). The majority of key events are scheduled for the latter half of the week, which will close on Friday with global PMIs, U.S. PCE and 4Q GDP data, and a possible decision by the U.S. Supreme Court on the White House's emergency powers tariffs. Canadian and U.K. CPI on Tuesday and Wednesday, and Tuesday's U.K. employment report will influence local markets though the global mood will likely remain driven by AI disruption fears that have shaken trading sentiment in recent weeks. U.S.-Iran tensions should also continue to shape global energy markets.

In Latam, we kick off the week to Sunday releases of January unemployment rate and December GDP data from Peru, with Colombian 4Q GDP scheduled for Monday morning before a two-day break until Thursday's Brazilian December economic activity and Banxico's February meeting minutes, followed by Friday's Mexican December retail sales and the Citi survey of economists. Chile's calendar is bare of major economic releases with markets counting down the days to the start of Kast's presidency on March 11th.

Peru is estimated to have rebounded in December to around a 3% expansion, doubling November's rise of 1.5% that was its weakest since April in an otherwise strong year for GDP growth in the country. A large 6.5% y/y contraction in mining sector output due to a fall in tin production owing to maintenance by Minsur (the country's sole tin miner) should somewhat correct in December data, as should a 17.9% y/y drop in fishing production due to a delayed catch season and reduced quotas. Economic indicators for construction, investment, and personal spending were solid for the month.

With the 2.8% y/y GDP rise projected by our economists, Peru's economy would have grown by 3.3% over the whole of 2025 closing with a 2.8% y/y gain in 4Q. Supportive inflation and monetary policy levels as well as the boost from another round of pension withdrawals and strong investment trends should see the country grow by about the same pace in 2026, with some drag from the election period and the start of a new administration. With about two months until the first-round vote for the presidency, the field remains wide open, although conservative candidate Rafael López Aliaga has steadily lead polls since last August, albeit with only a 12% voting intention in the latest Ipsos survey, with Keiko Fujimori (also from the right) following with an 8% share.

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Like Peru, Brazil's economy is expected to have picked up in December, to somewhere around 2% after its 1.3% November gain. Industrial production bounced back from a 1.4% contraction to a 0.4% rise in December as mining strength offset a decline in manufacturing output (its eighth y/y drop in the past nine months). Meanwhile, real retail sales growth of 2.8% y/y marked a recovery from a 0.2% drop in November. With a 2% expansion in December, Brazil's economy activity would have grown by 2.4% over 2025, roughly in line with our GDP growth forecast of 2.3%.

Unlike Peru, there's really only two candidates to follow in polls for Brazil's October election, the incumbent Lula and his top challenger Flavio Bolsonaro. The recent narrowing of Lula's lead in polls against Flavio (from about 10pp to about half in the space of two months) has built market confidence in the latter's chance at beating the current president, and with that bring more pro-market/business policies. However, business leaders were seemingly unimpressed with Flavio's economic plans or the lack of clarity for these and who will make up his cabinet. An underwhelming challenge to Lula may begin to reverberate as a fear in Brazilian markets, denting the Ibovespa's strong 15%+ gain so far this year.

Banxico's meeting minutes out on Thursday will shed some light on why the bank decided to lift its inflation forecasts substantially over the near term, but still saw a convergence to the 3% target in 1H27, and simultaneously left the door open to more rate cuts in spite of these near-term inflationary risks. We may have to pay particularly close attention to the views of hawkish board member Heath in the minutes (comments are anonymous, but one can tell) as he recently floated the possibility of a cut at one of the upcoming meetings despite his generally hawkish stance. Mexican retail sales due on Friday should not move the needle too much, nor should the results to the Citi survey of economists which are nevertheless worth following for possible shifts in Banxico rate cut expectations. We continue to forecast that Banxico will cut twice to 6.50% by around mid-year.

Finally, Colombia releases 4Q/2025 GDP data on Monday which is expected to show a ~3% y/y expansion in the final quarter of the year to wrap up a full-year GDP rise in the high-2s. Strong economic growth and pronounced inflationary pressures continue to advocate for BanRep policy rate increases. However, BanRep rate expectations were thrown a curveball today with Council of State suspending the government's 23% minimum wage hike decree, giving them eight days to come up with a well-justified alternative. How the government intends to play this, or even how firms will walk back this increase, will be in focus over the next few days but the high court's ruling was a strong reminder to markets of institutional strength in the country, supporting the currency and Colombian borrowing rates (on top of revised BanRep expectations).

Market Events & Indicators for February 14–27

CHILE

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Feb-24	7:00 PPI m/m	Jan	--	--	3.8	
Feb-27	7:00 Retail Sales y/y	Jan	--	--	4.5	
Feb-27	7:00 Commercial Activity y/y	Jan	--	--	5.9	
Feb-27	7:00 Unemployment Rate (%)	Jan	--	--	8.0	
Feb-27	7:00 Industrial Production y/y	Jan	--	--	-1.9	
Feb-27	7:00 Manufacturing Production y/y	Jan	--	--	0.1	
Feb-27	7:00 Copper Production Total (MT)	Jan	--	--	540221	
Feb 27-Mar 04	IMCE Business Confidence	Feb	--	--	52.1	

MEXICO

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Feb-19	10:00 Central Bank Monetary Policy Minutes		--			
Feb-20	7:00 Retail Sales m/m	Dec	--	--	1.0	
Feb-20	7:00 Retail Sales y/y	Dec	--	--	4.4	
Feb-20	Citi Survey of Economists		--			We expect Banxico's next move to be a 25bps cut in May, given inflation remains persistent, the peso holds steady, the economy stagnant and the Banxico-Fed rate spread remains unchanged.
Feb 16-20	ANTAD Same-Store Sales y/y	Jan	--	--	1.2	
Feb-23	7:00 GDP Full Year y/y	2025	--	--	1.5	We will soon receive the detailed GDP figures for the last quarter of 2025 and for the full year. We expect a modest rebound in the industrial sector, in line with the 2.4% increase in industrial production in December and the 0.5% average growth during Q4. In addition, consumption has been recovering over the past few months, so we also anticipate an uptick in the services sector.
Feb-23	7:00 GDP NSA y/y	4Q F	--	--	1.6	
Feb-23	7:00 GDP SA q/q	4Q F	--	--	0.8	
Feb-23	7:00 GDP Nominal y/y	4Q	--	--	4.1	
Feb-23	7:00 Economic Activity IGAE y/y	Dec	--	--	-0.1	
Feb-23	7:00 Economic Activity IGAE m/m	Dec	--	--	-0.2	
Feb-24	7:00 Bi-Weekly CPI (%)	15-Feb	--	--	0.2	We expect a biweekly inflation of 0.41% and a core of 0.25%, with the y/y being 4.09% for headline inflation and 4.55% for core inflation in the second bi-week of February.
Feb-24	7:00 Bi-Weekly Core CPI (%)	15-Feb	--	--	0.3	
Feb-24	7:00 Bi-Weekly CPI y/y	15-Feb	--	--	3.8	
Feb-24	7:00 Bi-Weekly Core CPI y/y	15-Feb	--	--	4.6	
Feb-25	10:00 Current Account Balance (USD mn)	4Q	--	--	2325	
Feb-26	7:00 Unemployment Rate NSA (%)	Jan	--	--	2.4	We expect an unemployment rate of 3.06% for January.
Feb-26	13:30 Mexican Central Bank Releases Inflation Report		--			
Feb-27	7:00 Trade Balance (USD mn)	Jan	--	--	2429.6	
Feb-27	7:00 Exports (USD mn)	Jan	--	--	60650.7	
Feb-27	7:00 Imports (USD mn)	Jan	--	--	58221.1	

PERU

<u>Date</u>	<u>Time Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
Feb-15	10:00 Lima Unemployment Rate (%)	Jan	5.7	--	5.0	
Feb-15	10:00 Economic Activity y/y	Dec	2.8	--	1.5	
Feb-23	GDP y/y	4Q	2.8	--	3.4	

Market Events & Indicators for February 14–27

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-18	12:00 Central Bank Weekly Economist Survey		--			
Feb-19	7:00 Economic Activity y/y	Dec	--	--	1.3	
Feb-19	7:00 Economic Activity m/m	Dec	--	--	0.7	
Feb-23	6:00 FGV Consumer Confidence	Feb	--	--	87.3	
Feb-23	6:25 Central Bank Weekly Economist Survey		--			
Feb-24	6:30 Current Account Balance (USD mn)	Jan	--	--	-3362.8	
Feb-24	6:30 Foreign Direct Investment (USD mn)	Jan	--	--	-5248.3	
Feb-25	6:30 Outstanding Loans m/m	Jan	--	--	1.8	
Feb-25	6:30 Total Outstanding Loans (BRL bn)	Jan	--	--	7122.6	
Feb-27	6:30 Net Debt % GDP	Jan	--	--	65.3	
Feb-27	7:00 IBGE Inflation IPCA-15 m/m	Feb	--	--	0.2	
Feb-27	7:00 IBGE Inflation IPCA-15 y/y	Feb	--	--	4.5	
Feb-27	Formal Job Creation Total	Jan	--	--	-618164	
Feb 25-27	Central Govt Budget Balance (BRL bn)	Jan	--	--	22.1	

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Feb-16	8:49 GDP Full Year y/y	2025	--	--	1.7	
Feb-16	11:00 GDP NSA y/y	4Q	--	2.8	3.6	
Feb-16	11:00 Economic Activity NSA y/y	Dec	--	--	3.1	
Feb-16	GDP q/q	4Q	--	--	1.2	
Feb-17	10:00 Imports CIF Total (USD mn)	Dec	--	--	5889.9	
Feb-17	10:00 Trade Balance (USD mn)	Dec	--	--	-1550.5	
Feb-25	Industrial Confidence	Jan	--	--	-0.7	
Feb-25	Retail Confidence	Jan	--	--	17.8	
Feb-27	10:00 National Unemployment Rate (%)	Jan	--	--	8.0	
Feb-27	10:00 Urban Unemployment Rate (%)	Jan	--	--	7.8	
Feb-27	Central Bank Board Meeting	--	--	--	--	

Forecast Updates: Central Bank Policy Rates and Outlook

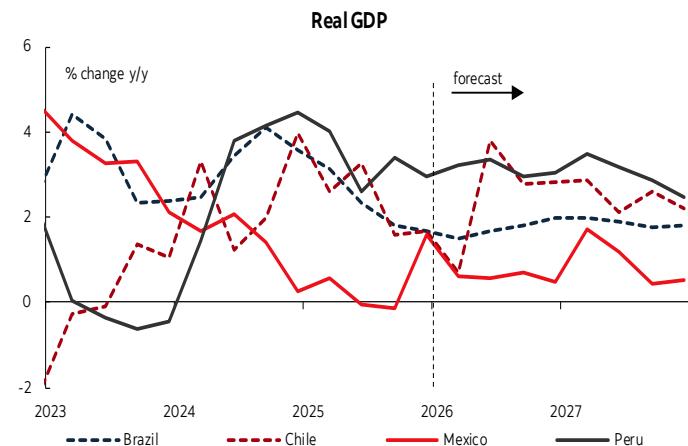
Latam Central Banks: Policy Rates and Outlook

	Next Scheduled Meeting			BNS Forecast		
	Current	Date	BNS	End-2026	End-2027	BNS guidance for next monetary policy meeting
Chile, BCCh, TPM	4.50%	Mar-24	4.25%	4.25%	4.25%	We reiterate our call for a 25 bps rate cut on March 24, bringing the policy rate to the new neutral centre of 4.25%.
Mexico, Banxico, TO	7.00%	Mar-26	7.00%	6.50%	6.75%	Banxico paused its easing cycle in its latest decision. If inflationary pressures persist over the next couple of months—particularly in core prices—while the Mexican peso remains near its recent levels, the economy continues to stagnate, and the rate spread between Banxico and the Fed remains unchanged, there would be no need to cut rates until May.
Peru, BCRP, TIR	4.25%	Mar-12	4.00%	4.00%	4.00%	We continue to anticipate one final cut, driven by weak inflationary pressures and the low level of the exchange rate. However, we believe that the Central Bank would seek greater confidence that inflation expectations continue to decline, and as long as economic expectations keep improving, it would remain comfortable with the current level.
Brazil, BCB, Selic	15.00%	Mar-18	14.50%	12.25%	10.50%	

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

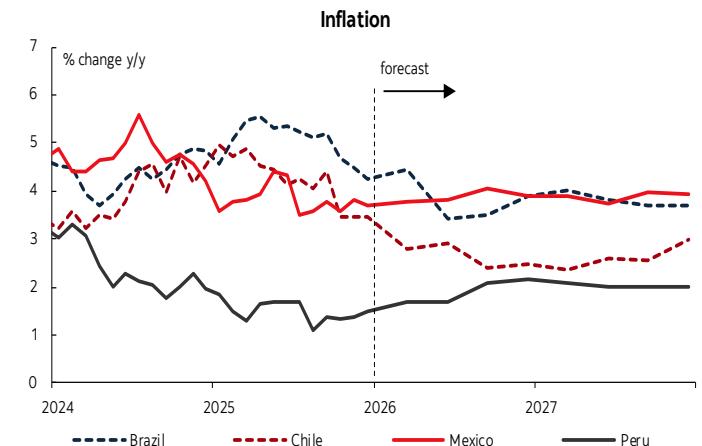
Key Economic Charts

Chart 1



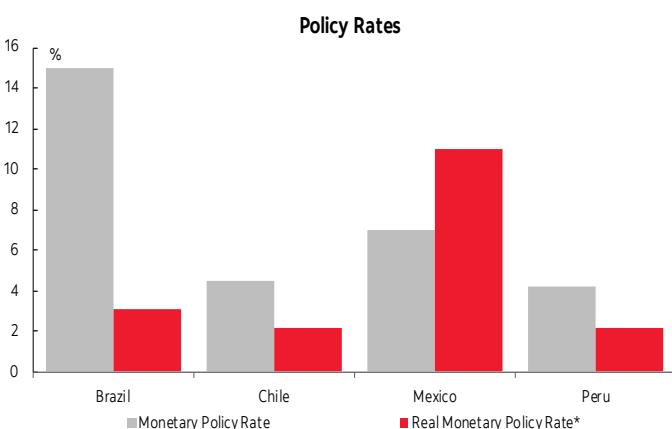
Sources: Scotiabank Economics, IBGE, BCCH, INEGI, BCRP.

Chart 2



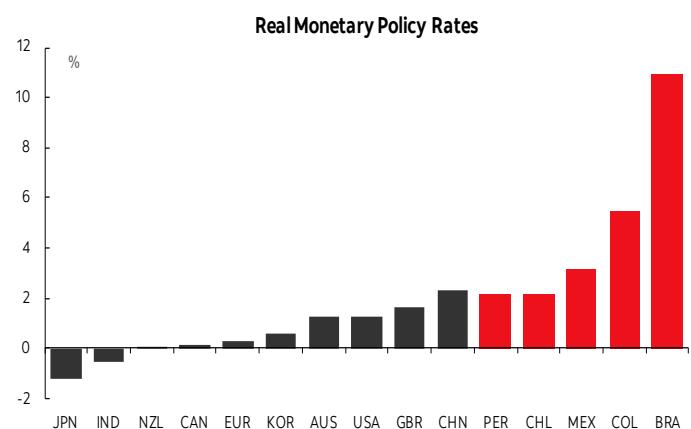
Sources: Scotiabank Economics, IBGE, BCCH, INEGI, BCRP.

Chart 3



Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2027, % y/y.
Sources: Scotiabank Economics, BCCH, BCRP, BCB, Banxico, BanRep, Focus Economics

Chart 4



Real monetary policy rate = current policy rate - BNS expected inflation, end-Q1-2027, % y/y.
Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 1

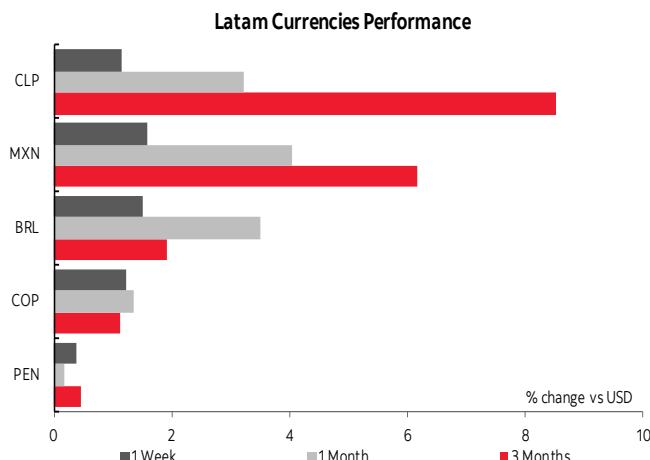


Chart 2

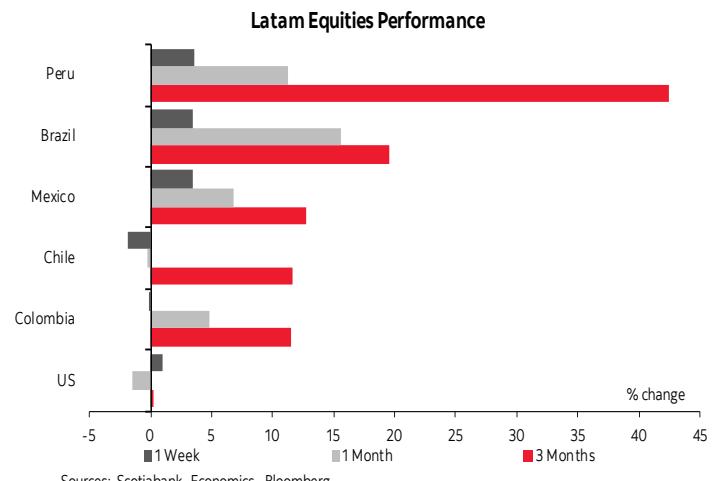
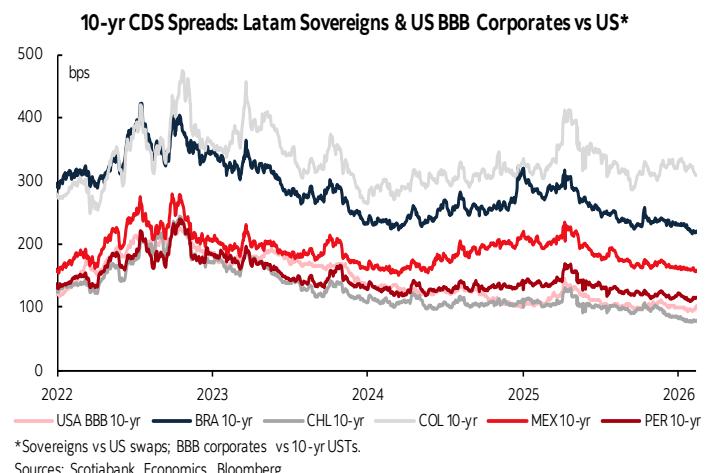


Chart 3



Chart 4



Yield Curves

Chart 1

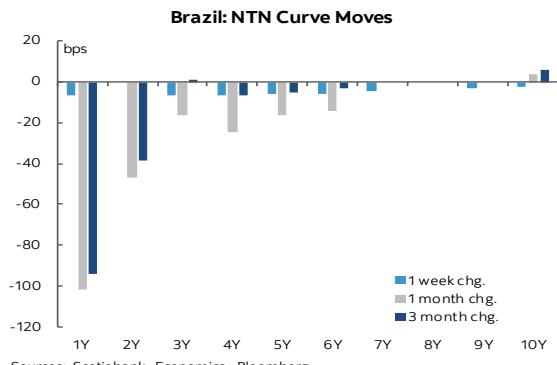


Chart 2

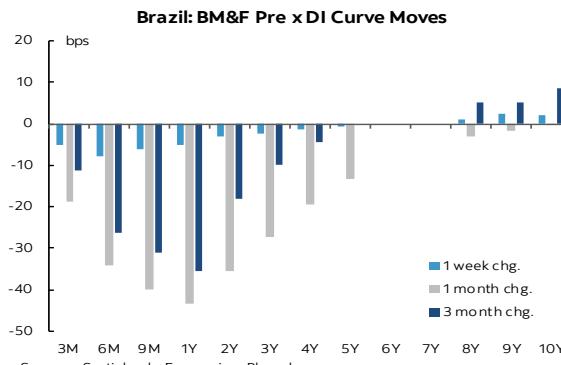


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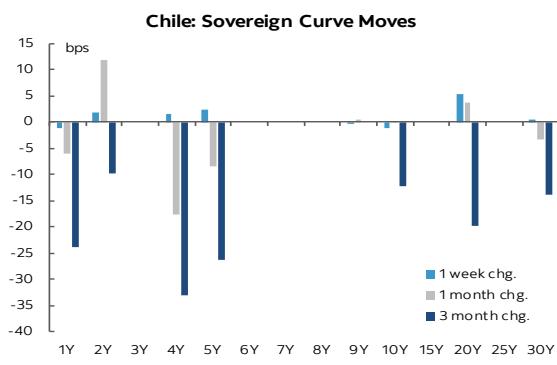


Chart 4

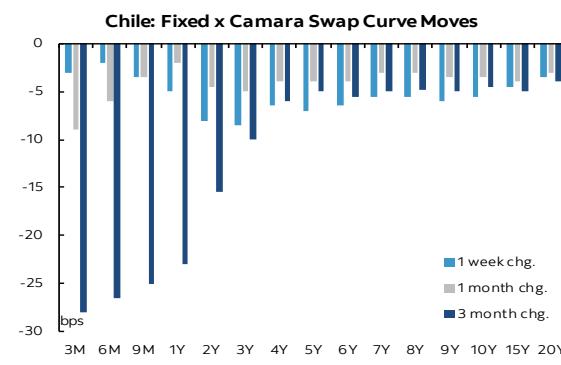


Chart 5

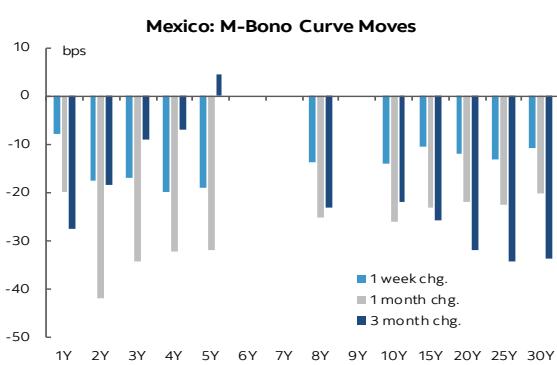


Chart 6

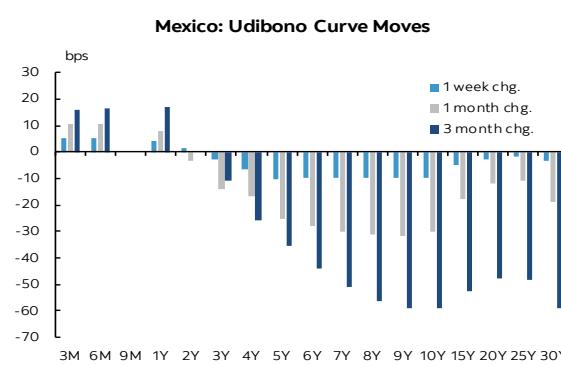
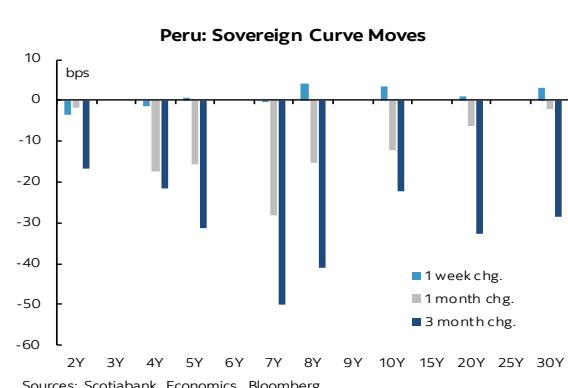


Chart 7



Scotiabank Economics Latam Coverage

Local Market Coverage

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