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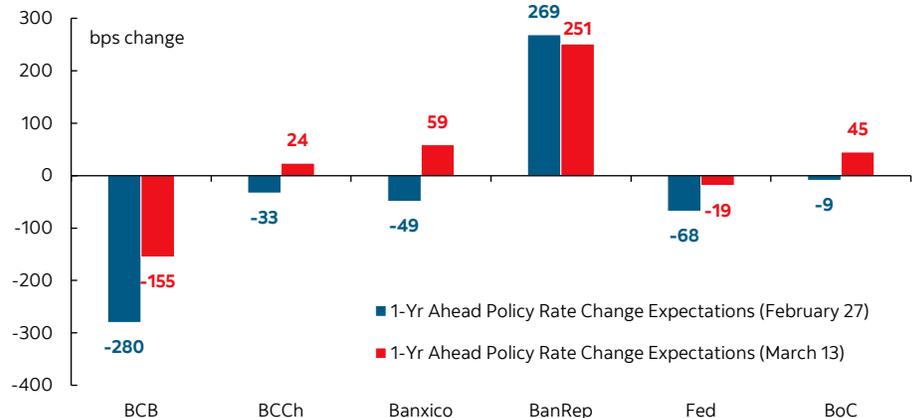
Latam Weekly: Global Rate Decisions, Latam Economic Activity

HIGHLIGHTS

- Key monetary policy decisions await from across the globe next week, but there may be little that officials can do or signal in the face of the conflict in the Middle East, with its conclusion being anyone's guess, while Brent and WTI oil prices track about a 70% rise year-to-date.
- Next week, we have rate decisions from the BCB, Fed, BoC, ECB, BoE, BoJ, RBA, SNB, Riksbank and a handful of other global central banks. Across those mentioned, only the BCB is expected to roll out a rate cut, its first in the cycle, while one of them, the RBA, is expected to hike.
- In today's note, our economists look at what the recent global energy shock could mean for Mexican inflation, with the government likely to keep pass-through in check. Mexican markets are closed on Monday.
- The team in Peru discusses the possible impacts of the local energy crisis and the Middle East conflict, which according to their estimates would lift annual inflation to 2.5–2.6% in March, up from 2.2% last month.
- Chilean 4Q GDP, and Brazilian, Chilean, and Colombian January economic activity are next week's main Latam data releases, while China publishes retail sales and investment data on Monday, with Canadian CPI out that same day. U.S. PPI on Wednesday will be no challenge to the Fed's meeting in the afternoon, nor will Thursday's U.K. jobs report for the BoE's announcement a few hours later.

Chart of the Week

Middle East Conflict Brings About Large Shift in Market Rate Expectations



Sources: Scotiabank Economics, Bloomberg.

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

Global Rate Decisions, Latam Economic Activity

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Key monetary policy decisions await from across the globe next week, but there may be little that officials can do or signal in the face of the conflict in the Middle East. The ~70% jump in crude oil prices in the year-to-date, and no clarity on whether this rise may be short-lived or possibly extend, favours a cautious stance by policymakers. It is in the length of the conflict—and how long an eventual return to 'normality' would take—where the impact on inflation, and thus on policy goals, lies.

A short-lived conflict would mean the likes of the Fed, BoE, and Banxico could resume their easing cycles soon, while others like the BoC and the ECB can more comfortably keep rates on hold. A longer period of sizeable disruptions to transit through the straight of Hormuz (about a fifth of global oil and gas) could mean indefinite rate holds for some and possible rate hikes for others. For some, most notably the BCB, the policy path remains one of easing although the magnitude of cumulative cuts may be significantly reduced.

Next week, we have rate decisions from the BCB, Fed, BoC, ECB, BoE, BoJ, RBA, SNB, Riksbank and a handful of others global central banks. Across those mentioned, only the BCB is expected to roll out a rate cut, its first in the cycle (more later), while one of them, the RBA, is even expected to increase its cash rate by 25bps. We are a long way from the market pricing in a couple of weeks ago an 80–90% chance of a BoE on the 19th, shifting all the way to seeing about an 80% of a 25bps hike by year-end.

On the ex-Latam data front, Chinese retail trade, investment, and industrial production figures kick off the week alongside Canadian CPI, with U.S. PPI on Wednesday, and U.K. employment on Thursday. Colombia releases retail sales, and industrial output data on Monday, followed by economic activity on Wednesday, all for January, with the latter expected around 2% y/y, accelerating from the 1.7% rise in

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December. Local markets will keep a closer eye on international developments as well as the outlook for the late-May first round presidential vote, with the left's Cepeda leading first-round polls but lagging in hypothetical head-to-head contests in a would-be second round.

Banxico will be among the last of the majors to announce a policy decision in the current cycle, on the 27th, with traders leaning towards no rate cut this month with odds at a 20% chance of a 25bps reduction compared to an 80% implied probability in late-February. Traders have also gone as far as expecting about two hikes (on net) a year from now, flipping from two cuts expected over the same period just a few weeks ago. Mexico's calendar is quiet next week—with holidays on Monday, to boot—as the only relevant release will be Friday's Citi survey of economists where we'll see how expectations changed from last week's poll, where the median still saw a quarter-point cut in late-March. In today's note, our economists look at what the recent global energy shock could mean for Mexican inflation, with the government likely to keep pass-through in check.

The BCB will certainly have to reassess its policy path over the next few quarters were the conflict to have longer lasting impacts on inflation. However, with Brazil's Selic rate currently at 15% (against headline inflation at 3.8%), the BCB's deliberations will likely centre not on whether to hold steady (and far from hiking) but on how long they will go once cuts start. Even a 50bps cut next week would keep policy highly restrictive—and even if we see inflationary pressures from global energy prices. Economists polled by Bloomberg have turned a bit more indecisive about next week's announcement with an even split across those expecting a 25bps cut and those eyeing a 50bps move.

While our latest official forecast is that the BCB will begin the easing cycle with a half-point reduction, recent price action in global markets tees up the smaller-sized cut. Were crude oil prices to continue their ascent in the coming days, the BCB will probably opt for caution. Markets are pricing in only 20bps for next week, thus suggesting that officials led by Galipolo could even choose to delay the rate cutting cycle until the energy horizon clears up. We've seen a large move in Brazilian short-term yields in recent months, as traders now currently see about 150bps in total BCB easing by end-2026 compared to ~250bps by end-2026 at the close of last year. On Monday, Brazilian economic activity data for January is expected to show a material slowdown from 3% in December to ~1% at the start of the year with very soft services activity offset by a firmer performance in the industrial sector. As far as economic figures go, the BCB would be justified in announcing large rate cuts, but times are tricky.

On Sunday, Peru releases January GDP and February unemployment rate data. The country's economy likely held to a strong pace at the start of the year based on a series of activity indicators for the month that point to an expansion in the high-3s (close to December's 3.8% rise). Robust household spending supported by low inflation and solid labour markets (and pension withdrawals, more recently) has combined for several months with strong investment spending (mining and infrastructure) that should remain important growth tailwinds. Yet, energy supply issues in recent weeks (now mostly resolved) due to a key gas pipeline leak and its suspension dented Peru's upward momentum, and a rebound in inflation (mainly due to poultry prices) and now the risk of higher international energy prices could also act as a drag on domestic demand. In today's Weekly, the team discusses the possible impacts of the local energy crisis and the Middle East conflict, which according to their estimates would lift annual inflation to 2.5–2.6% in March, up from 2.2% last month.

INE releases Chilean 4Q GDP data on Wednesday, but with monthly IMACEC data showing that the country expanded by 1.6% y/y in the quarter it will be the expenditure details of the release that will grab our attention. In the first three quarters of 2025, Chilean household spending averaged a strong 2.7% y/y pace, while investment averaged 5.8% y/y for its best ex-pandemic pace since 2018. Considering a deceleration in services activity for the quarter according to monthly GDP data (and roughly steady wholesale/retail trade), it's likely that we see a slowdown in household spending in the quarterly figures. Meanwhile, investment may have also slowed a touch based on a deceleration in capital goods imports in 4Q—which nevertheless remained very strong at 20% y/y. On Thursday, the BCCh publishes the results to its traders survey which, based on market pricing, will likely show that market participants expect no more rate cuts from Chile's central bank over the next 18 months or so—after which point traders are eyeing a small tightening cycle.

Country Updates

Mexico—The Global Inflation Shock After the War in Ukraine and Its Impact on Mexico

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Russia's invasion of Ukraine in early 2022 triggered one of the sharpest global increases in energy and food prices in decades, and Mexico—an open economy highly exposed to imported shocks—felt the impact almost immediately. Annual inflation, which stood at 7.07% in January 2022, accelerated as rising international prices of oil, natural gas, grains, and fertilizers filtered into the domestic economy. Inflation peaked at 8.70% in September 2022, the highest level in twenty years. The transmission channels were clear: higher fuel and transportation costs, more expensive imported basic grains, and rising agricultural input prices.

Mexico's energy inflation reflected the global turmoil but also exhibited a distinctive feature: direct government intervention. To shield consumers from soaring fuel prices, the Ministry of Finance deployed substantial gasoline subsidies. By May 2022, these subsidies had reached an estimated 2.39 billion dollars—more than double the additional revenues generated by higher oil prices. As a result, energy inflation peaked at a relatively moderate 8.14% in August 2022 and even turned negative in 2023. Although the subsidies imposed a significant fiscal cost and added pressure on Pemex, they helped maintain budget stability and prevented a more pronounced inflationary pass-through.

As global markets gradually stabilized, inflation in Mexico began to ease. By December 2023, headline inflation had declined to 4.66%, nearly three percentage points below its peak. However, the episode highlighted Mexico's vulnerability to geopolitical disruptions, given its dependence on imported strategic inputs such as energy, grains, and fertilizers.

Today, with conflict in the Middle East, Mexico once again faces upward-tilted inflation risks. In February (prior to the start of the conflict), headline inflation rose to 4.02%, up from 3.79% the previous month and above market expectations. Core inflation remained elevated at 4.50%, driven by increases in goods prices. Meanwhile, non-core inflation—more sensitive to swings in energy and agricultural commodity prices—climbed to 2.44%.

In this context, a potential reactivation of the IEPS-based gasoline subsidy could temporarily soften pressures on the energy component. However, its effectiveness would depend on the duration and magnitude of disruptions in international energy markets. Additional pressures could also emerge in other commodities and agricultural products in the short term. Private-sector analysts have already revised their year-end inflation expectations upward, now projecting 4.00% for headline inflation and 4.17% for core inflation. Supply-chain disruptions related to the Middle East conflict could prompt further upward adjustments.

For monetary policy, the market remains split on whether Banco de México will deliver its next rate cut in March or May. However, the intensity of the conflict abroad and Mexico's early-March inflation reading will be crucial for Banxico's decision this month, as well as for analysts' expectations regarding the interest rate path for the rest of the year.

Peru—Local Energy Crisis May Be Nearing Its End

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- **Repair work on the Camisea gas pipeline shows 74% progress**
- **Government takes emergency measures to ration natural gas**
- **Incident on the pipeline, and the rise in oil, affected local fuel prices**

On Sunday, March 1st, a gas leak with deflagration was detected at kilometre 43 (Megantoni, Cusco) on the gas pipeline operated by Transportadora de Gas del Perú (TGP). Immediate safety protocols were activated, transport of natural gas liquids was temporarily suspended, and injection of natural gas was interrupted as a preventive measure.

After the incident, the Ministry of Energy and Mines declared an emergency for the natural gas supply until March 14th with the objective of maintaining continuity of supply while repairs are carried out. Households (residential) and essential services (hospitals and commerce) are being prioritized, in addition to mass public transport that uses vehicular natural gas (VNG).

Additionally, the Government ordered telework for public employees and mandatory virtual classes for private schools in Lima and Callao between March 9th and 14th due to the energy crisis the country is going through. These measures seek to reduce traffic in the capital so that there is less fuel consumption.

The Camisea system has two pipelines. One for Natural Gas Liquids (NGL) that supplies a fractionation plant in Pisco (Ica) and produces LPG and other derivatives, and another for Natural Gas (NG) that reaches Lima and is used for the domestic market—households, industries and transport—and for export. After the deflagration, gas transport was suspended in both pipelines. The NG pipeline usually transports around 600 million cubic feet per day, so, once injection of gas in Camisea was suspended, only about 70 million cubic feet per day—stored in the pipeline—remained available, with which prioritized users are being supplied.

It should be noted that, as of Wednesday, March 11th, repair work on the Camisea gas pipeline had 74% progress, according to the Minister of Energy and Mines. Likewise, it is likely that restoration of natural gas service will occur on the scheduled date of March 14th.

Impact

The Peruvian electrical system is supplied by hydroelectric plants with a 49% share, thermal plants with around 36%, and the remaining 15% by non-renewable energies—mainly solar and wind. The emergency declaration means that thermal generators will not have natural gas supply for 14 days, and in some cases are replacing this input with diesel. In addition, our country has a backup system called “cold reserve”, consisting of diesel-fired thermal plants, which have an approximate autonomy of 45 days. With this backup, there should not be a problem with the electricity supply.

Regarding costs, in the case of regulated users (households and commerce) there would be no tariff increases in the short term since they have long-term supply contracts, unlike free users—large energy consumers—who buy energy on the spot market and whose price has risen due to the higher cost of diesel compared to natural gas.

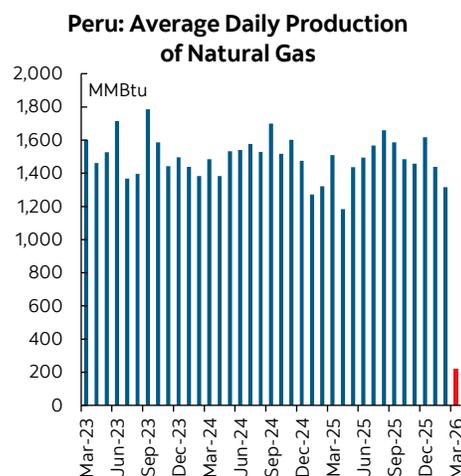
Another sector that was affected was Industry—around 1,000 companies use NG as an energy source.

Likewise, the restrictions reach vehicular natural gas (VNG) consumers, both private individuals and drivers who provide taxi services. Both groups have been temporarily using gasoline—most light vehicles are dual-fuel—a fuel significantly more expensive than VNG—the latter is about 70% cheaper than gasoline.

Unfortunately, the local situation coincides with a phase of heightened tension in global energy markets due to the outbreak of a conflict in the Middle East between the U.S. and Israel versus Iran, which has led to the closure of the Strait of Hormuz—a strategic point through which about 20% of global oil and gas supply moves—and to a rise of around 40% in oil prices since late February—when the conflict began.

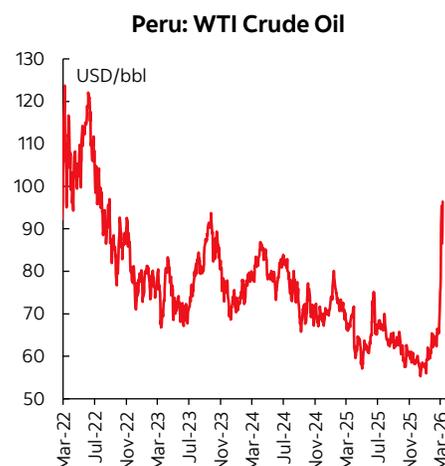
The impact of the higher prices of gasoline, diesel and LPG associated with the increase in international prices, together with the increase in the price of taxi service—due to the replacement of VNG with gasoline—will have an initial impact of around 0.35 percentage points on March inflation. Assuming the historical monthly rate for March of 0.8%, and considering the additional impact of fuels, the monthly inflation rate for March could be around 1.15%, bringing the annual rate to around 2.55% (2.2% in February). Nevertheless, we foresee a rapid reversal in the increase in taxi prices—assuming that GNV supply is restored starting mid-March—but the impact on the price of imported fuels—gasoline, diesel, LPG—would continue, at least, until April.

Chart 1



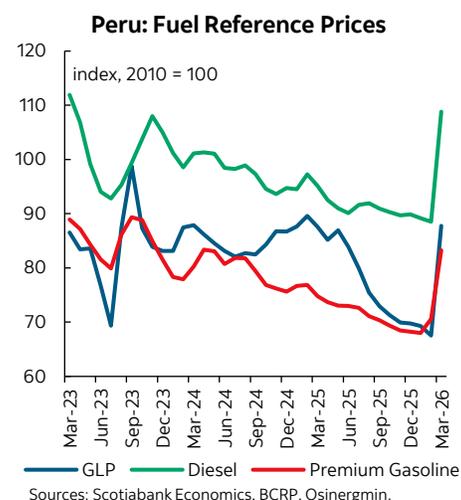
Sources: Scotiabank Economics, Perupetro.

Chart 2



Sources: Scotiabank Economics, Bloomberg.

Chart 3



Sources: Scotiabank Economics, BCRP, Osinergmin.

March 13, 2026

Finally, the temporary suspension of NG and NGL transport from Camisea will have a significant impact on hydrocarbons production. It should be noted that both products contribute about 70% of the volume produced of hydrocarbons, with the remaining 30% coming from oil. Thus, assuming 15 days without NG and NGL production, it would generate a drop close to 35% in hydrocarbons production, *ceteris paribus*. Considering that hydrocarbons production represents about 2% of GDP, a 35% decline in March could subtract a little over 0.5 percentage points from March GDP, *ceteris paribus*.

Market Events & Indicators for March 14–27

CHILE

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Mar-18	7:30 GDP q/q	4Q	--	--	-0.1	
Mar-18	7:30 GDP y/y	4Q	1.7	--	1.6	
Mar-18	7:30 Current Account Balance (USD mn)	4Q	--	--	-4598.6	
Mar-19	7:30 Central Bank Traders Survey		--	--		
Mar-24	8:00 PPI m/m	Feb	--	--	3.5	
Mar-24	17:00 Overnight Rate Target (%)	24-Mar	4.25	--	4.50	

MEXICO

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Mar-20	Citi Survey of Economists		--	--		
Mar 13-20	ANTAD Same-Store Sales y/y	Feb	--	--	2	
Mar-23	8:00 Retail Sales m/m	Jan	--	--	-0.1	
Mar-23	8:00 Retail Sales y/y	Jan	--	--	4.3	
Mar-24	8:00 Economic Activity IGAE y/y	Jan	--	--	3.26	
Mar-24	8:00 Economic Activity IGAE m/m	Jan	--	--	0.39	
Mar-24	8:00 Bi-Weekly CPI (%)	15-Mar	--	--	0.34	
Mar-24	8:00 Bi-Weekly Core CPI (%)	15-Mar	--	--	0.17	
Mar-24	8:00 Bi-Weekly CPI y/y	15-Mar	--	--	4.13	
Mar-24	8:00 Bi-Weekly Core CPI y/y	15-Mar	--	--	4.48	
Mar-26	15:00 Overnight Rate (%)	26-Mar	7.00	--	7.00	
Mar-27	8:00 Unemployment Rate NSA (%)	Feb	--	--	2.7	
Mar-27	8:00 Trade Balance (USD mn)	Feb	--	--	-6481.1	
Mar-27	8:00 Exports (USD mn)	Feb	--	--	48007.8	
Mar-27	8:00 Imports (USD mn)	Feb	--	--	54488.9	

PERU

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Mar-15	11:00 Lima Unemployment Rate (%)	Feb	6.3	--	6.3	
Mar-15	11:00 Economic Activity y/y	Jan	3.4	--	3.8	

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Mar-16	7:25 Central Bank Weekly Economist Survey		--	--	--	
Mar-18	17:30 Selic Rate (%)	18-Mar	14.50	14.50	15.00	
Mar-23	7:25 Central Bank Weekly Economist Survey		--	--	--	
Mar-24	7:00 Central Bank Meeting Minutes		--	--	--	
Mar-25	7:00 FGV Consumer Confidence	Mar	--	--	86.1	
Mar-26	7:00 Central Bank Monetary Policy Report		--	--		
Mar-26	8:00 IBGE Inflation IPCA-15 m/m	Mar	--	--	0.8	
Mar-26	8:00 IBGE Inflation IPCA-15 y/y	Mar	--	--	4.1	
Mar-27	7:30 Current Account Balance (USD mn)	Feb	--	--	-8360.3	
Mar-27	7:30 Foreign Direct Investment (USD mn)	Feb	--	--	8168.5	
Mar-27	8:00 National Unemployment Rate (%)	Feb	--	--	5.4	

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Mar-16	11:00 Retail Sales y/y	Jan	--	--	11.0	
Mar-16	11:00 Manufacturing Production y/y	Jan	--	--	-0.6	
Mar-16	11:00 Industrial Production y/y	Jan	--	--	-0.2	
Mar-18	12:00 Economic Activity NSA y/y	Jan	--	--	1.7	
Mar-19	11:00 Trade Balance (USD mn)	Jan	--	--	-1177.8	
Mar-19	11:00 Imports CIF Total (USD mn)	Jan	--	--	6050.7	
Mar-25	Industrial Confidence	Feb	--	--	-1.5	
Mar-25	Retail Confidence	Feb	--	--	26.0	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Forecast Updates: Central Bank Policy Rates and Outlook

Latam Central Banks: Policy Rates and Outlook

	Current	Next Scheduled Meeting		BNS Forecast		BNS guidance for next monetary policy meeting
		Date	BNS	End-2026	End-2027	
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%	Apr-09	4.25%	4.25%	4.25%	The global environment has changed, putting upward pressure on local inflation and deteriorating economic expectations (although they remain in the optimistic range). The additional cut in the monetary policy interest rate that we had anticipated will no longer occur, and our terminal rate is now 4.25%. For the time being, we maintain our 2.2% inflation projection for the end of 2026, although we view it with an upward bias.
Brazil, BCB, Selic	15.00%	Mar-18	14.50%	12.00%	10.50%	

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

Key Economic Charts

Chart 1

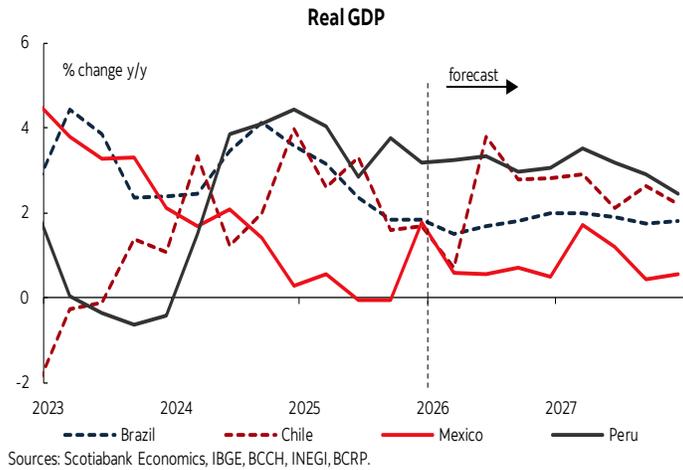


Chart 2

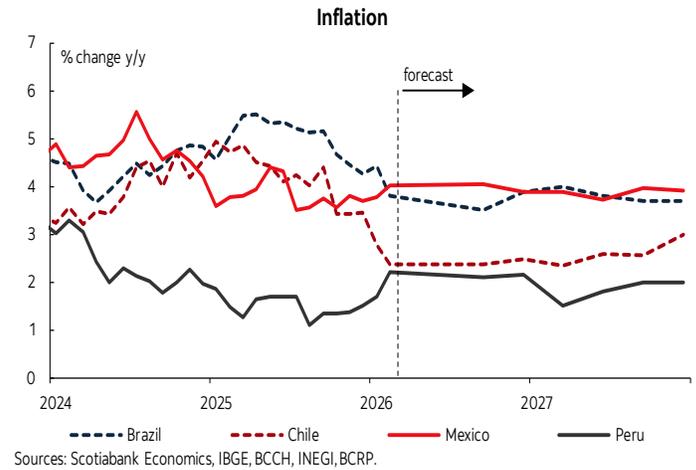


Chart 3

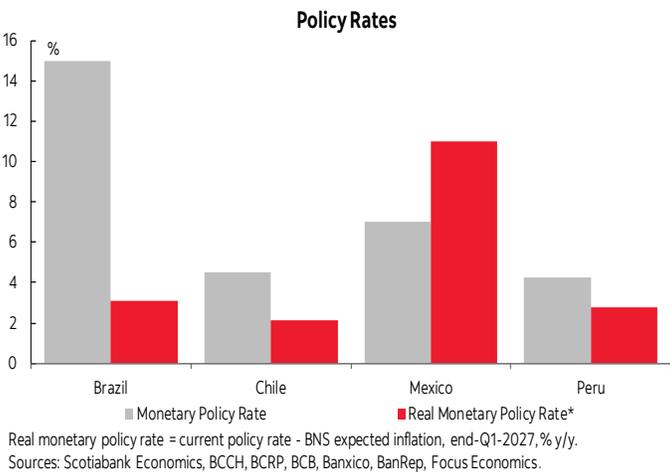
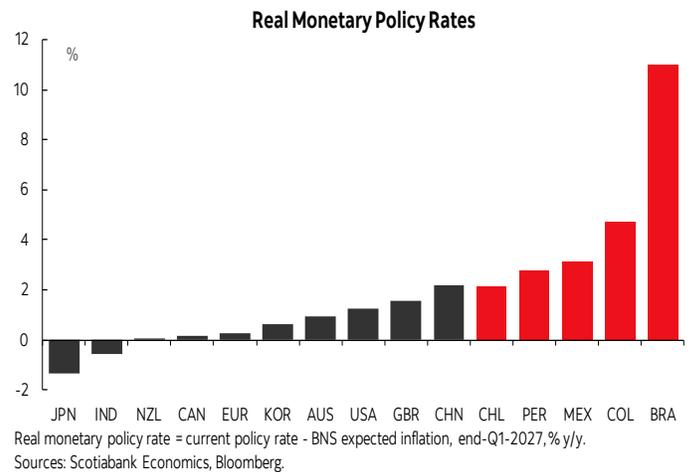


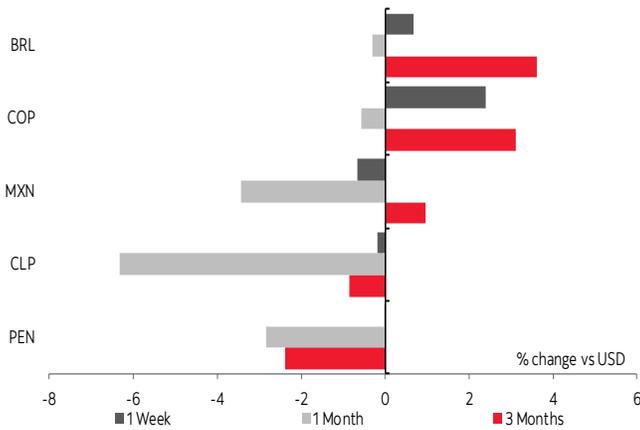
Chart 4



Key Market Charts

Chart 1

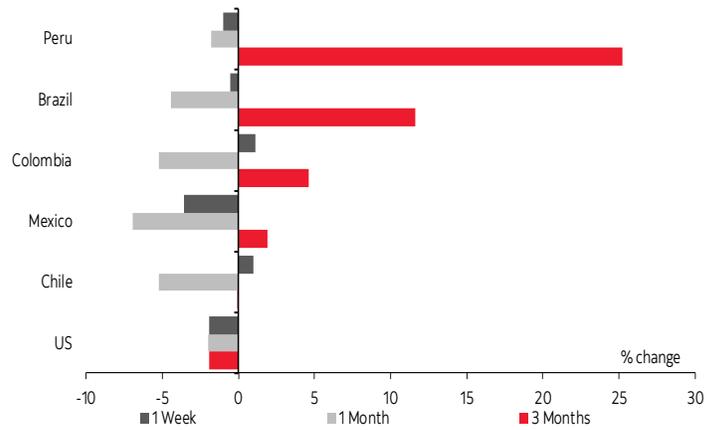
Latam Currencies Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 2

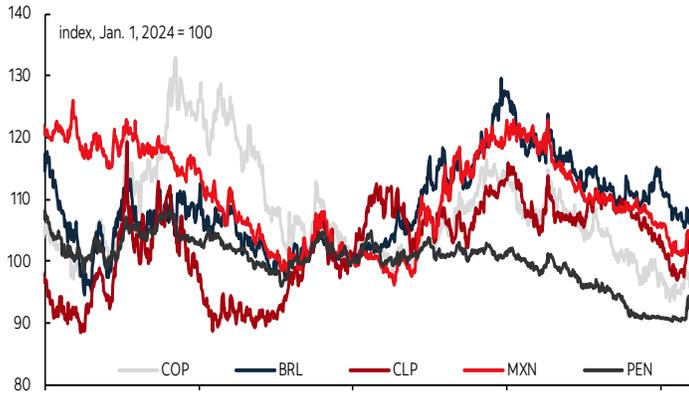
Latam Equities Performance



Sources: Scotiabank Economics, Bloomberg.

Chart 3

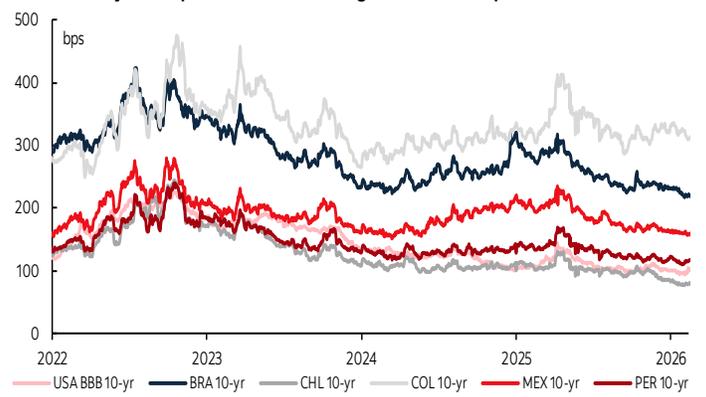
USD vs Latam Currencies



Sources: Scotiabank Economics, Bloomberg.

Chart 4

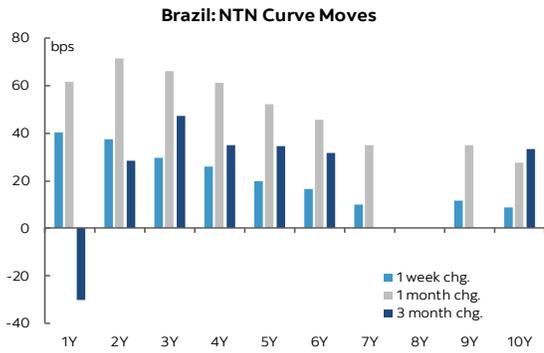
10-yr CDS Spreads: Latam Sovereigns & US BBB Corporates vs US*



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

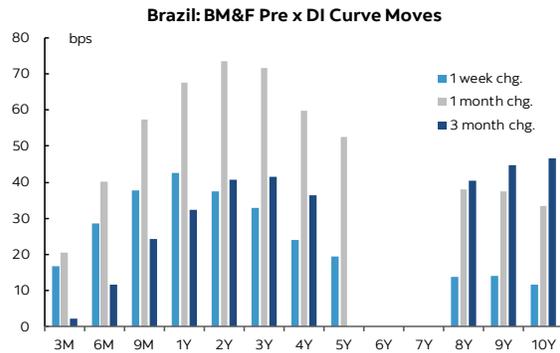
Yield Curves

Chart 1



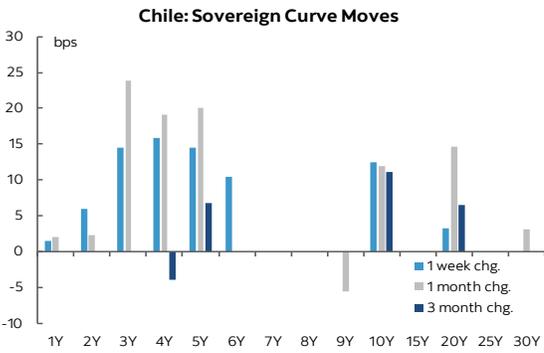
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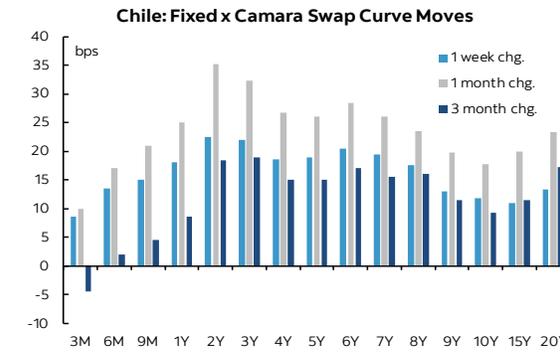
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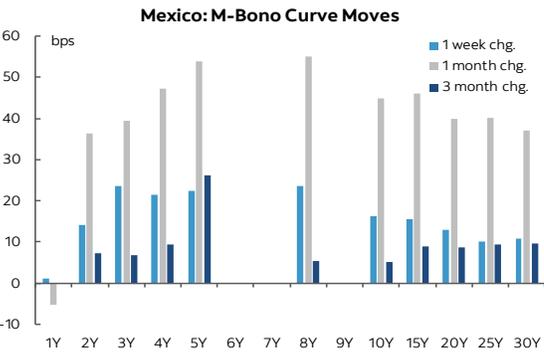
Sources: Scotiabank Economics, Bloomberg.

Chart 4



Sources: Scotiabank Economics, Bloomberg.

Chart 5



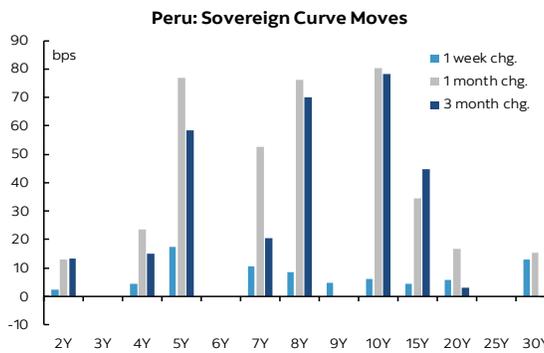
Sources: Scotiabank Economics, Bloomberg.

Chart 6



Sources: Scotiabank Economics, Bloomberg.

Chart 7



Sources: Scotiabank Economics, Bloomberg.

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