Scotiabank

GLOBAL ECONOMICS

LATAM WEEKLY

August 7, 2026

Contributors

Juan Manuel Herrera, Director
+52.55.2299.6675 (Mexico)
juanmanuel.herrera@scotiabank.com

THIS WEEK'S CONTRIBUTORS:

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

Martha Cordova, Economic Research Specialist
+52.55.5435.4824 (Mexico)
martha.cordovamendez@scotiabank.com.mx

Syed Hasnain Abbas, Economic Analyst
Scotiabank Economics
416.863.7307
syedhasnain.abbas@scotiabank.com

Table of Contents

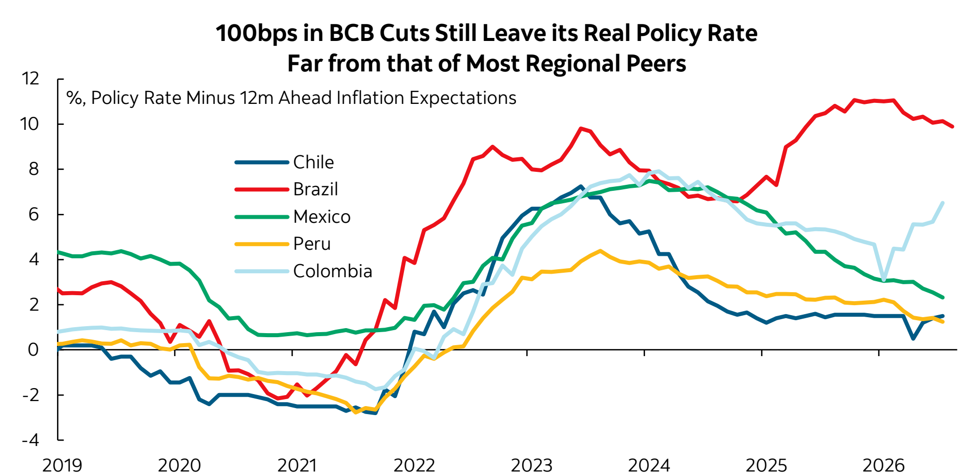
Overview	2–3
Country Updates	4
Market Events & Indicators	5
Forecast Updates	6
Key Economic Charts	7
Key Market Charts	8
Yield Curves	9

Latam Weekly: BCRP Decision, Brazil CPI

HIGHLIGHTS

- **Next week brings U.S., Brazilian, Colombian, and Chinese CPI, the BCRP's rate decision, and a few other macro readings like Mexican and Colombian industrial production in what should generally be a quieter week around the globe.**
- **Economists are expecting that Brazilian inflation declined from 4.64% to around 4.4% in July, in line with IPCA-15 data. The BCB's minutes may offer some insights into the next move for the central bank, whose real policy rate at ~10% remains highly restrictive.**
- **The BCRP's rate announcement on Thursday should not surprise anyone with a rate hold at 4.25% broadly expected, after expressing a view that the current inflationary shock and incoming pressures from El Niño are transitory, pointing to steady rates over the balance of the year.**
- **In today's report, the team in Mexico throws some cold water on the Q2 GDP beat, with data generally pointing to muted growth continuing rather than the second quarter rebound marking the start of a strengthening trend.**

Chart of the Week



Sources: Scotiabank Economics, BCB, BanRep, Banxico, BCCh, BCRP.

Chart of the Week: Prepared by: Syed Hasnain Abbas, Economic Analyst.

August 7, 2026

BCRP Decision, Brazil CPI

CONTRIBUTORS

Juan Manuel Herrera
Director
+52.55.2299.6675 (Mexico)
juanmanuel.herrera@scotiabank.com

- **Next week brings U.S., Brazilian, Colombian, and Chinese CPI, the BCRP's rate decision, and a few other macro readings like Mexican and Colombian industrial production in what should generally be a quieter week around the globe.**
- **Economists are expecting that Brazilian inflation declined from 4.64% to around 4.4% in July, in line with IPCA-15 data. The BCB's minutes may offer some insights into the next move for the central bank, whose real policy rate at ~10% remains highly restrictive.**
- **The BCRP's rate announcement on Thursday should not surprise anyone with a rate hold at 4.25% broadly expected, after expressing a view that the current inflationary shock and incoming pressures from El Niño are transitory, pointing to steady rates over the balance of the year.**
- **In today's report, the team in Mexico throws some cold water on the Q2 GDP beat, with data generally pointing to muted growth continuing rather than the second quarter rebound marking the start of a strengthening trend.**

It's a stocktaking week for most of the globe over the coming days, as a busy run of economic data, monetary policy decisions, and company earnings shifts into a lower gear. That is not to say that markets will get to kick back, as next week brings U.S., Brazilian, Colombian, and Chinese CPI, the BCRP's rate decision, and a few other macro readings like Mexican and Colombian industrial production, U.S. and Brazilian retail sales, and U.K. GDP. The usual Middle East headlines-driven volatility in energy prices likely awaits, with Brent prices heading into the weekend at ~$85/bbl, down about $15/bbl from the recent high a couple of weeks ago on hopes over a Hormuz transit agreement.

Brazil's central bank publishes the minutes to its August 6th decision on Tuesday, with the statement announcing a 25bps rate cut to 14.00% broadly sticking to a no-guidance stance as economists and markets debate whether BCB has concluded its easing cycle. The statement merely notes that the BCB "will continue to monitor developments […] in order to keep monetary policy adequately restrictive" which leaves the door open to (marginal) additional cuts; markets are currently pricing in about an 80% chance of an additional quarter-point reduction by year-end. Still, one (or even two) 25bps cuts would only chip away at Brazil's highly restrictive real policy rate, which at ~10% is 8–9ppts above that of Chile, Mexico, and Peru's and 3.5ppts over Colombia's.

While the BCB's minutes may provide some insights into the bank's next move, Friday's July inflation—were it to surprise in either direction—could play a bigger role in shifting expectations. In the IPCA-15 release for July, headline inflation slowed from 4.8% to 4.5%, below a median forecast for a 4.7% print. Economists are expecting that the full month reading will show a similar decline from 4.64% to around 4.4%. In June, core inflation held at 4.7%, remaining in a ~4.5–4.7% band since November (outside of a brief dip in January). However, the trimmed mean measure slowed to 4.3%, its lowest level in a couple of years. It's generally too soon to call for a clear cooling in Brazilian inflation, especially as expectations in the BCB's economists survey have yet to turn the other direction—which is a key prerequisite for the bank to eye greater cuts than what traders and economists anticipate.

On the activity front, Brazil releases June services volume and retail sales data on Thursday and Friday, respectively. Both are expected to show an improvement in year-over-year growth after a muted May, which contributed to economic activity slowing to 0.8% y/y from 1.1% in April—where the industrial sector saw a more pronounced downshift for the month. In the year-to-May, Brazil's economy grew by a modest 1.2% with limited employment growth (tight labour markets, however), fiscal supports fading, and restrictive rates keeping activity subdued. Looking ahead, the fast approaching October presidential election could further weigh on weakened business confidence, keeping a lid on hiring and investment. AtlasIntel and Datafolha polls for a would-be second-round election continue to show Lula ahead of Bolsonaro by about 5–6 ppts.

The BCRP's rate announcement on Thursday should not surprise anyone with a rate hold at 4.25% broadly expected. Last weekend, July headline inflation at 4.1% y/y slightly overshot estimates (see our **recap**) but still only showed a 0.3% m/m rise that was below the 20-year average of 0.4% m/m for July. The BCRP has expressed a view that the current inflationary shock and incoming pressures from El Niño are merely transitory and would not require adjustments to its policy rate. On the flipside, the bank may not take too kindly to continued increases in inflation expectations, which at 3% at the 12-month horizon reached their highest since late-2023 in the most recent BCRP macroeconomic expectations survey (see **here**). Expectations for 2027 were nevertheless practically unchanged, at 2.53% among economists, sitting in that mid-2s zone since April.

Formal employment for July and industrial production for July are Mexico's data highlights. As the team discusses in today's report, the recent batch of Mexican macro readings has been mixed with fixed investment data surprising to the upside but private consumption figures showing a moderation in household demand as part of a broader trend. Overall, data suggest that the strong Q2 GDP reading of 2.2% y/y and 1.5% q/q should be taken with caution as it may have reflected one-off factors or recoveries from the weak Q1 rather than a clear pickup in activity.

August 7, 2026

Country Updates

Mexico—Consumption and Investment: Domestic Demand Continues to Show Signs of Fragility

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

Martha Cordova, Economic Research Specialist
+52.55.5435.4824 (Mexico)
martha.cordovamendez@scotiabank.com.mx

The indicators released this week could appear to offer a mixed reading of the Mexican economy. On the one hand, gross fixed investment surprised to the upside and showed a stronger-than-expected recovery in May. On the other side, private consumption continues to lose momentum and remains on a decelerating trend that has now extended for more than a year. Taken together, the figures suggest that, while the economy managed to post stronger-than-expected growth in the second quarter of 2026, there is still insufficient evidence to claim that a structural shift has occurred in the growth trajectory.

Gross fixed investment increased 1.1% year over year in May, well above the Bloomberg consensus, which anticipated a -0.5% decline. The result follows the 5.9% annual growth recorded in April, confirming a significant recovery from the weak performance observed over the previous 19 months. However, the underlying reading is less favourable than recent figures suggest. In monthly terms, investment fell 0.4% in May after the strong 4.1% advance recorded in April, indicating that part of the recovery may be associated with transitory factors, such as the FIFA World Cup, rather than the beginning of a new expansion cycle.

In addition, the composition of investment remains a source of concern. While public investment continues to show favourable momentum and posted annual growth close to 20%, private investment remained in negative territory, contracting -1.3% year over year. This divergence is particularly relevant because private investment accounts for most capital formation in Mexico and is a key driver of formal job creation and the expansion of productive capacity. In this sense, the recent aggregate rebound in investment appears to be supported mainly by public spending, a growth engine whose ability to sustain momentum looks limited given the fiscal consolidation process expected over the coming quarters.

On the consumption side, the story is different. The latest data confirms a gradual but persistent moderation in household demand. In May, private consumption advanced just 0.1% month over month, after growing 0.2% in April and 1.2% in March. In annual terms, using original figures, growth stood at 1.47%, a positive figure but clearly below the rates observed in previous months.

The loss of momentum is also evident when looking at the quarterly trend. During 2025, sequential consumption growth slowed from 1.94% quarter over quarter in the first quarter to 1.78% in the second, 1.41% in the third, and just 0.43% in the fourth. More importantly, during the first quarter of 2026, consumption contracted 0.37% quarter over quarter, the first decline observed in this indicator in the recent period. This trajectory confirms that the main driver of the Mexican economy has been gradually losing strength for several quarters.

The slowdown in consumption is especially significant because it is occurring in a context in which remittances continue to show notable resilience. In June, Mexico received USD 5.472 billion in remittances, above the USD 5.440 billion expected by consensus and equivalent to annual growth of 4.2%. The average value of transfers increased 3.9%, while the number of transactions rose only 0.3%, indicating that growth was driven mainly by larger amounts sent rather than by a higher number of migrant workers sending resources.

Nevertheless, the impact of remittances on consumption appears to have moderated. The cumulative appreciation of the USDMXN in recent months has reduced the purchasing power of these flows in local currency, limiting part of their impact on domestic demand. At the same time, the slowdown in private formal job creation and the moderation of growth in occupied population have reduced the impulse from the labour market. As a result, remittances have acted more as a cushion than as a catalyst for growth.

In this context, GDP growth of 2.2% year over year and 1.5% quarter over quarter recorded in the second quarter of 2026 should be interpreted with caution. Although the figure was stronger than expected and shows that the economy still has some capacity to expand in the short term, consumption and investment data suggest that much of this performance was associated with a one-off recovery after the weakness observed at the beginning of the year. Investment is only starting to recover lost ground and continues to depend largely on public spending, which appears quite limited, while consumption continues to show a clear loss of traction.

For this reason, we believe the Mexican economy will continue to face a very limited growth environment during the second half of the year. Although some analysts have revised up their growth forecasts for 2026, the available information suggests that domestic demand will continue to decelerate gradually. The persistent weakness in private investment, slower formal employment growth, and moderation in consumption suggest that the expansion observed in the second quarter is unlikely to be sustainable. As a result, we maintain our expectation that the economy will register growth close to zero in the third quarter of 2026, consistent with a stagnation scenario rather than a sustained recovery.

Market Events & Indicators for August 8–21

CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-11	8:30	Central Bank Economist Survey		--	--	--	--
Aug-14	8:30	Central Bank Traders Survey		--	--	--	--
Aug-18	8:30	GDP q/q	2Q	--	--	-0.3	--
Aug-18	8:30	GDP y/y	2Q	--	--	-0.5	--
Aug-18	8:30	Current Account Balance (USD mn)	2Q	--	--	1883	--

MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Aug 04-10		Formal Job Creation Total (000s)	Jul	--	--	61	--
Aug-11	8:00	Industrial Production NSA y/y	Jun	--	--	-0.7	--
Aug-11	8:00	Manuf. Production NSA y/y	Jun	--	--	-1.5	--
Aug-11	8:00	Industrial Production SA m/m	Jun	--	--	-0.8	--
Aug 12-14		Nominal Wages	Jul	--	--	7.2	--
Aug-20	11:00	Central Bank Monetary Policy Minutes		--	--	--	--
Aug-20		Citi Survey of Economists		--	--	--	--
Aug-21	8:00	Retail Sales m/m	Jun	--	--	-0.6	--
Aug-21	8:00	Retail Sales y/y	Jun	--	--	1.6	--
Aug 17-21		ANTAD Same-Store Sales y/y	Jul	--	--	-1.6	--

PERU

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-13	**19:00**	**Reference Rate (%)**	**Aug**	**4.25**	**--**	**4.25**	**--**
Aug-15	11:00	Lima Unemployment Rate (%)	Jul	--	--	4.9	--
Aug-15	11:00	Economic Activity y/y	Jun	--	--	1.8	--
Aug 17-28		GDP y/y	2Q	--	--	3.5	--

BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-10	7:25	Central Bank Weekly Economist Survey		--	--	--	--
Aug-11	7:00	Central Bank Meeting Minutes		--	--	--	--
Aug-11	8:00	IBGE Inflation IPCA m/m	Jul	--	--	0.2	--
Aug-11	8:00	IBGE Inflation IPCA y/y	Jul	--	--	4.6	--
Aug-12	8:00	IBGE Services Volume m/m SA	Jun	--	--	-0.4	--
Aug-12	8:00	IBGE Services Volume y/y NSA	Jun	--	--	0.4	--
Aug-13	8:00	Retail Sales m/m	Jun	--	--	0.1	--
Aug-13	8:00	Retail Sales y/y	Jun	--	--	0.4	--
Aug-13	8:00	Retail Sales Broad m/m	Jun	--	--	-0.2	--
Aug-13	8:00	Retail Sales Broad y/y	Jun	--	--	-0.6	--
Aug-17	7:25	Central Bank Weekly Economist Survey		--			--
Aug-17	8:00	Economic Activity m/m	Jun	--	--	0.1	--
Aug-17	8:00	Economic Activity y/y	Jun	--	--	0.8	--

COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Aug-10	7:00	CPI m/m	Jul	--	0.3	0.4	--
Aug-10	7:00	CPI y/y	Jul	--	6.2	6.1	--
Aug-10	7:00	CPI Core m/m	Jul	--	0.3	0.3	--
Aug-10	7:00	CPI Core y/y	Jul	--	6.2	6.0	--
Aug-13		Consumer Confidence Index	Jul	--	--	24.3	--
Aug-14	11:00	Retail Sales y/y	Jun	--	--	11.7	--
Aug-14	11:00	Manufacturing Production y/y	Jun	--	--	-0.4	--
Aug-14	11:00	Industrial Production y/y	Jun	--	--	2.3	--
Aug-18	11:00	GDP NSA y/y	2Q	--	--	2.2	--
Aug-18	11:00	GDP q/q	2Q	--	--	0.6	--
Aug-18	11:00	Economic Activity NSA y/y	Jun	--	--	4.1	--
Aug-19	11:00	Trade Balance (USD mn)	Jun	--	--	-1223	--
Aug-19	11:00	Imports CIF Total (USD mn)	Jun	--	--	6785	--

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

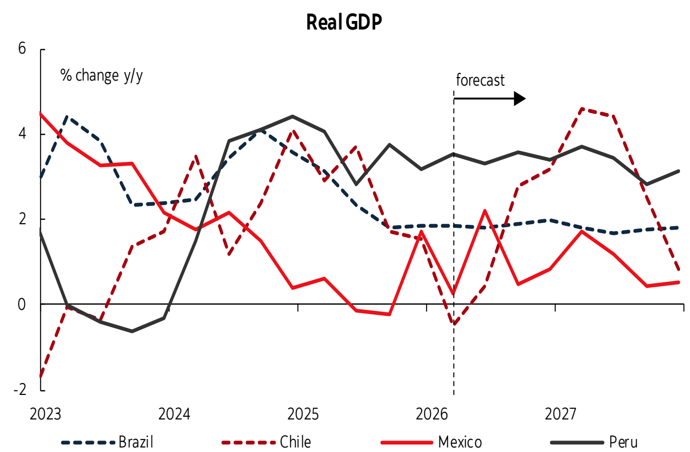
Forecast Updates: Central Bank Policy Rates and Outlook

		Next Scheduled Meeting		BNS Forecast		
	Current	Date	BNS	End-2026	End-2027	BNS Guidance for Next Monetary Policy Meeting
Chile, BCCh, TPM	4.50%	Sep-08	4.50%	4.50%	4.25%	We expect the Central Bank to hold the policy rate at 4.50%.
Mexico, Banxico, TO	6.50%	Sep-24	6.50%	6.50%	6.75%	In Banxico's latest monetary policy decision, the governing Board unanimously voted to maintain the policy rate at 6.50% after concluding the easing cycle that started in 2024. We expect there to be no changes until late next year.
Peru, BCRP, TIR	4.25%	Aug-13	4.25%	4.25%	4.25%	Our year-end inflation forecast stands at 4.2%. It was recently confirmed that the El Niño phenomenon will reach a strong intensity during the summer and the probability of it being extraordinary has increased significantly, which would generate upward pressures toward the end of the year. For the time being, we expect the policy interest rate to remain at 4.25% throughout the year, provided that price fluctuations continue to be transitory.
Brazil, BCB, Selic	14.00%	Sep-16	14.00%	14.00%	12.00%	

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

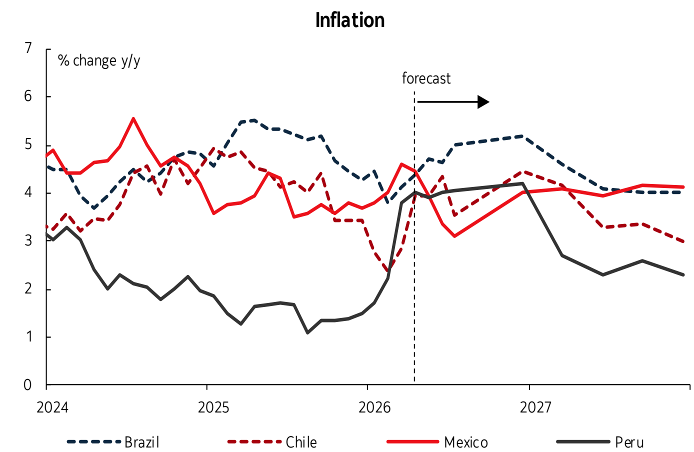
Key Economic Charts

Chart 1



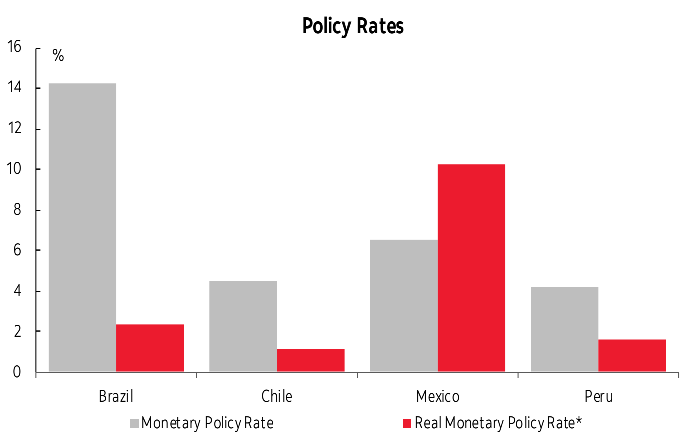
Sources: Scotiabank Economics, IBGE, BCCH, INEGI, BCRP.

Chart 2



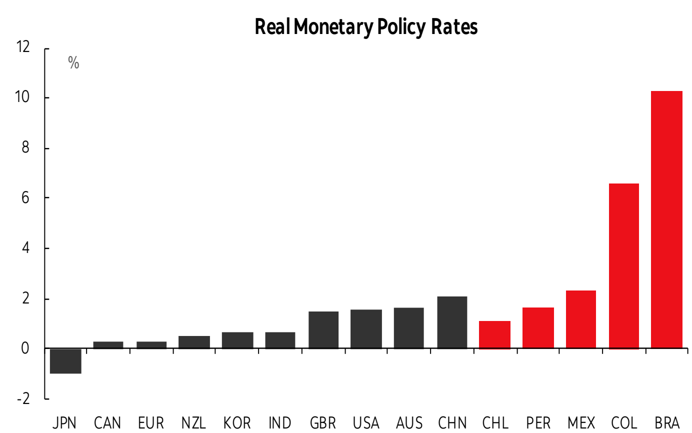
Sources: Scotiabank Economics, IBGE, BCCH, INEGI, BCRP.

Chart 3



Real monetary policy rate = current policy rate - BNS expected inflation, end-Q3-2027, % y/y.
Sources: Scotiabank Economics, BCCH, BCRP, BCB, Banxico, BanRep, Focus Economics.

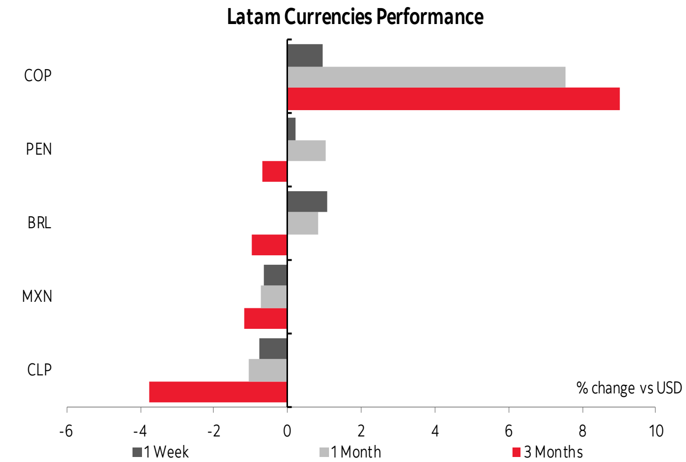
Chart 4



Real monetary policy rate = current policy rate - BNS expected inflation, end-Q3-2027, % y/y.
Sources: Scotiabank Economics, Bloomberg.

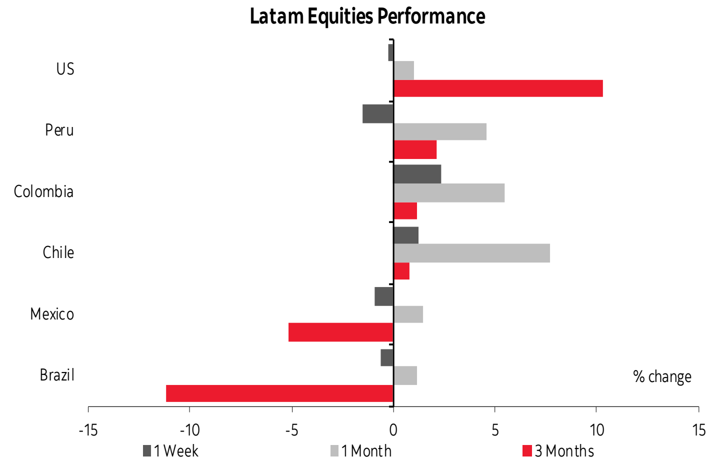
Key Market Charts

Chart 1



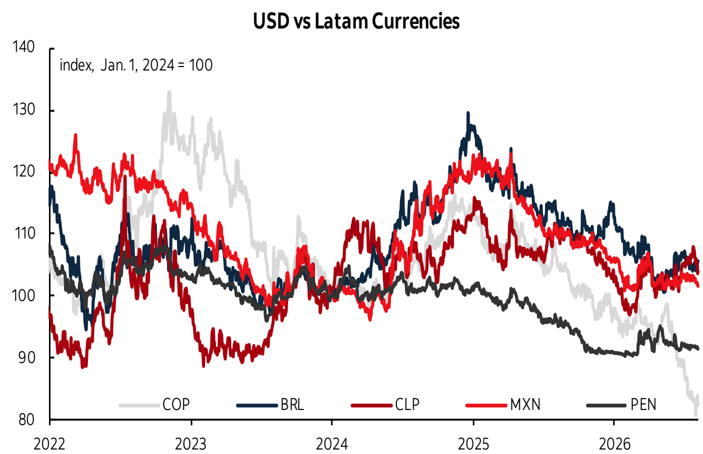
Sources: Scotiabank Economics, Bloomberg.

Chart 2



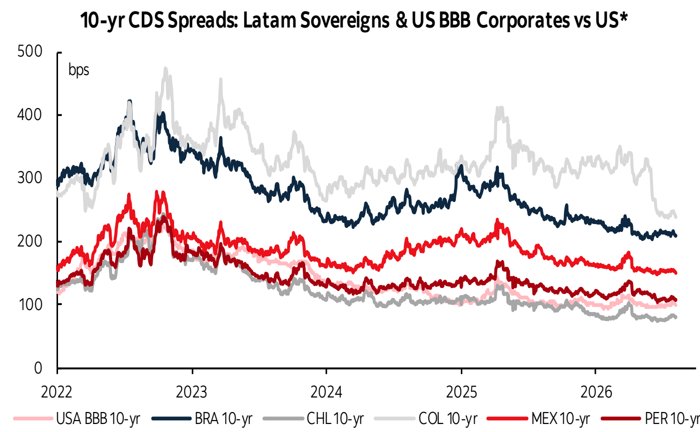
Sources: Scotiabank Economics, Bloomberg.

Chart 3



Sources: Scotiabank Economics, Bloomberg.

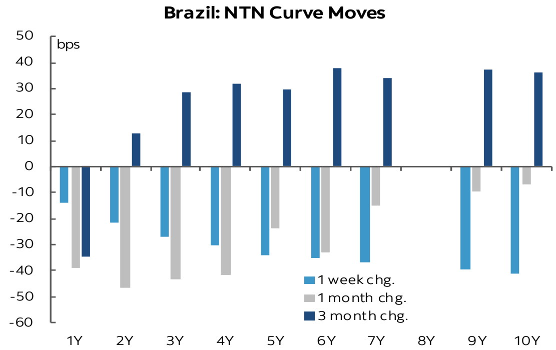
Chart 4



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

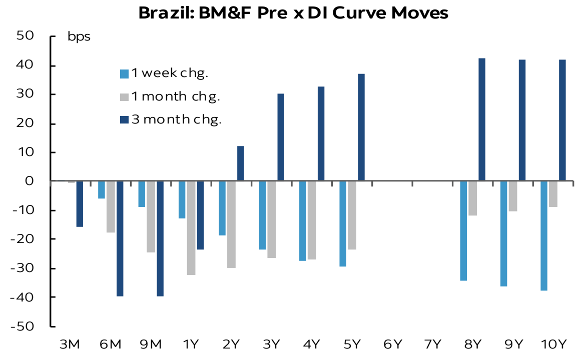
Yield Curves

Chart 1



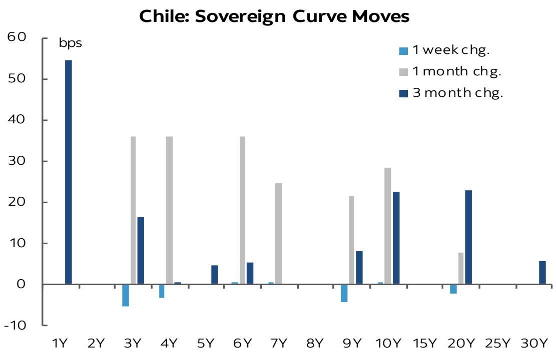
Sources: Scotiabank Economics, Bloomberg.

Chart 2



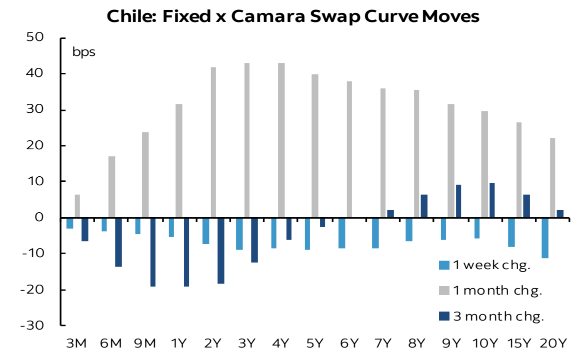
Sources: Scotiabank Economics, Bloomberg.

Chart 3



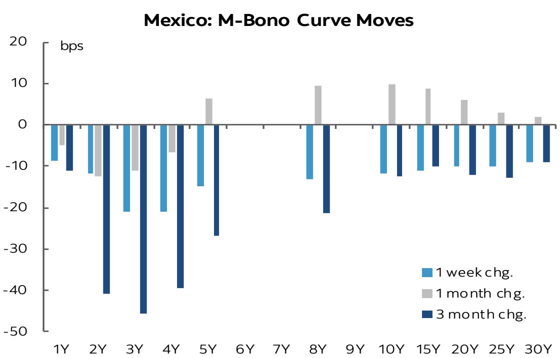
Sources: Scotiabank Economics, Bloomberg.

Chart 4



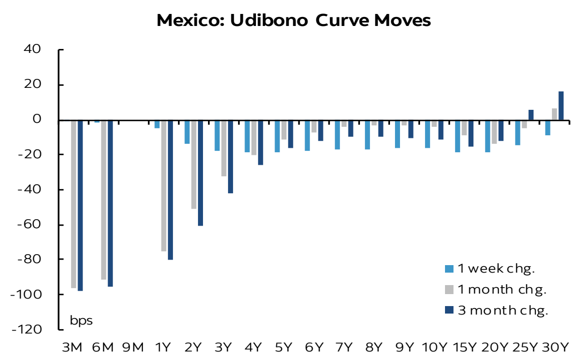
Sources: Scotiabank Economics, Bloomberg.

Chart 5



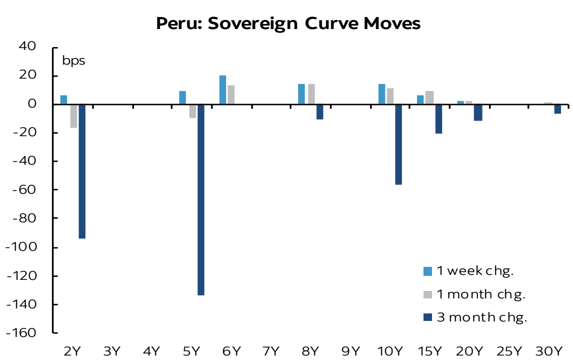
Sources: Scotiabank Economics, Bloomberg.

Chart 6



Sources: Scotiabank Economics, Bloomberg.

Chart 7



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

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