Scotiabank

GLOBAL ECONOMICS

LATAM WEEKLY

September 18, 2026

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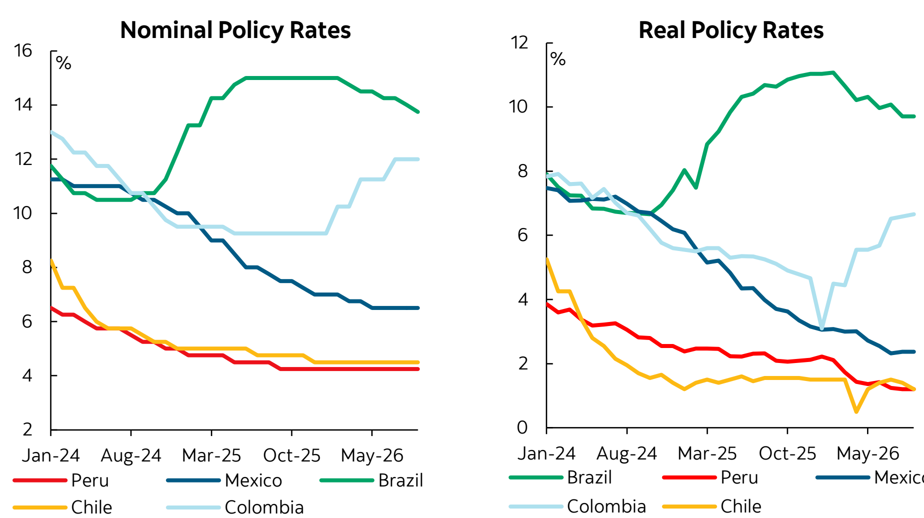
Latam Weekly: Mexico in the Spotlight

HIGHLIGHTS

- **In contrast to a quieter schedule in the G10 and for most of its Latam peers, Mexico's calendar is chock-full of key data and events that include Banxico's policy announcement, mid-month CPI, and economic activity data.**
- **Banxico will likely stick to its message that the current stance of monetary policy is appropriate, with little indication that it is considering moves in either direction. The team in Mexico previews next week's announcement in today's weekly.**
- **In today's report the team in Peru discusses the performance of exports in the year-to-date, with India overtaking the U.S. to take the second spot as the country's main export destination on the back of higher gold prices.**

Chart of the Week

Brazil Cuts Rates as Inflation Cools, but its Policy Stance Remains the Most Restrictive in the Region, By Far



Sources: Scotiabank Economics, BCB, BCRP, Banxico, BCC, BANREP.

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

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Mexico in the Spotlight

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Global markets get to take a bit of a break from the flood of major data and key central bank decisions of the past few weeks with a quieter week ahead where global PMIs are the data highlight. There will be a few second-tier central bank decisions (Switzerland, Sweden, and Norway) to watch for a growing hawkish message among policymakers around the globe, and we may get comments from Fed and ECB officials that shake up trading alongside the now usual wave of Middle East headlines driving sentiment. Japanese markets are closed Monday to Wednesday and China's are shut on Friday.

In contrast to a quieter schedule in the G10 and for most of its Latam peers, Mexico's calendar is chock-full of key data and events that include Banxico's policy announcement, mid-month CPI, and economic activity data. On top of a packed calendar, there may be more news on the U.S. trade front ahead of bilateral talks scheduled for September 28th–29th, with the Mexican side sounding optimistic that an agreement will be reached in contrast to more guarded reports from those in-the-know on the U.S. side.

Elsewhere in Latam, Brazil also publishes mid-month CPI at the close of the week, with the BCB's meeting minutes and its monetary policy report due in the days prior. Here, the focus will be on comments or insights that would provide hints on the path for the Selic rate, with the BCB's 25bp cut earlier this week for a fifth straight meeting looking like possibly the last or second to last in an easing cycle that still leaves policy settings highly restrictive. Chile has only PPI data and the central bank traders' survey on tap and Colombia publishes international trade data. Peru's calendar is bare of notable releases or events, but in today's report the team discusses the performance of exports in the year-to-date, with India overtaking the U.S. to take the second spot as the country's main export destination on the back of higher gold prices.

After a strong 2.8% y/y rise in economic activity (IGAE) in June, and 2.1% for the second quarter, we'll see how the Mexican economy fared to start the third quarter in Thursday's release. In data available for July, industrial production picked up from 1.6% to 2.7% as manufacturing (+1.6% y/y) grew the most since March 2025 and construction had another strong month, expanding by 7.3% y/y. up from 4.7% y/y. On the other hand, vehicle sales slowed from 7.7% y/y in June to 3.4% y/y in July, which chips away at optimism for next week's print. INEGI's Nowcast, which is a so-so guide for the IGAE, points to a pick up in growth from 2% to 2.7%. Note that last July's 1.1% m/m rise was quite strong, comparing to an average 0.3% monthly decline in July months since 2000, so the y/y print will have to contend with an unfavourable base of comparison.

As for the H1-Sep CPI release also out on Thursday, both headline and core inflation are expected to remain little changed around 3.3% and 3.8% y/y respectively. If full-month September readings meet these expectations, headline inflation would average 3.2% for the third quarter, thus coming in decently below Banxico's 3.5% estimate for Q3-26, but the quarterly core average would be roughly in line with the 3.8% forecast; both as of Banxico's early-August decision. While we think headline inflation will close the year at 3.8%, the bank's staff sees prices growth closing 2026 at 3.5% (same for core).

Heading into Thursday's 15ET decision, Banxico will therefore have fresh data that show relatively steady above-target inflation that undershot its latest forecasts (though remains about a percentage point above the target in the case of core) and an economy that looks to be on firmer footing, albeit with still-weak growth of only 1.1% y/y in the first two quarters of the year as per IGAE data.

Recent downside surprises in headline inflation notwithstanding, economists surveyed by Banxico are still expecting that inflation will close 2027 very near the upper bound of the 2–4% goal, at 3.8% as per Banxico's August survey (we project a 4% end-2027 print). So, it's far from 'mission accomplished' for Banxico in reining in the belief among economists that it will fail to pull prices growth to the 3% zone on a sustainable basis.

Banxico will likely stick to its message that the current stance of monetary policy is appropriate, with little indication that it is considering moves in either direction. We project that the policy rate will remain at a 6.50% through the end of our forecast horizon in Q4-27. The Fed's latest 25bp increase and a high likelihood that it hikes at least once more (we're thinking twice more) should not push Banxico towards a tightening stance—though it could have been a different story absent the MXN's strength—but it also acts to further reduce the odds that it could loosen policy soon. Our view of unchanged rates over the next few quarters is in contrast to that of markets, which are pricing in about 100bps in hikes over the next twelve months, adding about a full quarter-point in expected rate increases since late-August.

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Country Updates

Mexico—The Market Expects Banxico to Remain on Hold Despite Rate Hikes Across Advanced Economies

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Next week, the market's attention will be on Banco de México's monetary policy decision. While the consensus expects the policy rate to remain unchanged, the focus will be the tone of the statement and any signals regarding the future path of monetary policy. The Federal Reserve's recent decision to raise its policy rate by 25 basis points, its first hike since 2023, was accompanied by tightening moves from other advanced economy central banks. For Mexico, these adjustments have reinforced the perception of a more restrictive external environment and have partially reduced Banxico's room to lower rates in the future.

During the week, markets responded to the Fed's more hawkish stance with a stronger U.S. dollar and episodes of volatility across emerging market currencies. Rate increases in Japan and the United Kingdom also affected bond yields and foreign exchange markets. In Mexico, the peso retraced part of its previous gains, returning to levels near 17.20 in USDMXN terms, highlighting that part of its recent strength had been driven by the global weakness of the dollar rather than solely by domestic factors. In this context, a narrower interest rate differential between Mexico and the United States could increase the exchange rate's sensitivity to new external shocks.

On the domestic front, inflation continues to make progress in its disinflation process, supported mainly by easing pressures in certain volatile components. However, persistent services inflation and inflation expectations that remain above target suggest that the convergence toward the 3% inflation objective is still incomplete. In this regard, despite recent downside surprises, the year-end inflation consensus forecast remains close to 4.0%. Therefore, while the baseline scenario continues to point to an unchanged policy rate, we believe Banxico is unlikely to adopt communication that could be interpreted as the beginning of a new easing cycle.

Against this backdrop, we expect the Governing Board to maintain a cautious stance and emphasize that future decisions will continue to depend on the evolution of inflation, inflation expectations, and global financial conditions. Beyond the September decision, we do not expect any meaningful change to the market's view that rates will remain unchanged throughout the remainder of the year. However, analysts will be looking for signals regarding how much room Banxico may retain to adjust its policy stance during 2027, particularly following the recent tightening of U.S. monetary policy and the persistence of several inflationary risks.

Peru—India Becomes Peru's Second-Largest Export Market

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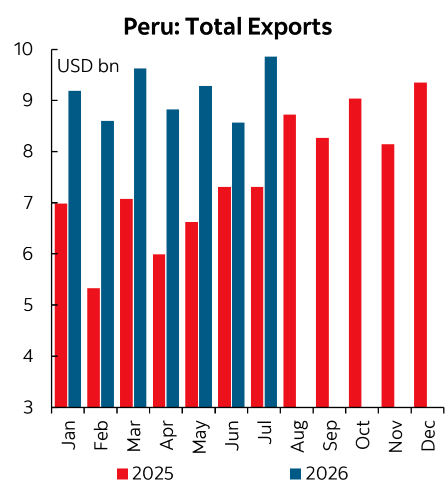
Peruvian exports totaled US$63.5bn between January and July (chart 1), a 33.3% increase compared to the same period in 2025, according to figures from the Ministry of Foreign Trade and Tourism (Mincetur, by its Spanish acronym). This positive performance was driven almost exclusively by export prices (+30.9%)—particularly for minerals—and, to a lesser extent, by export volume (+1.9%).

It is worth noting that since mid-2025, the price of copper has shown an upward trend, reaching record levels of US$6.68 per pound, driven by stronger demand linked to its key role in the energy transition, the expansion of data centers associated with artificial intelligence, and global supply constraints. Meanwhile, gold prices surpassed US$5,000 per ounce early in the year, driven by heightened geopolitical uncertainty associated with the escalating conflict in the Middle East. Notably, copper and gold exports accounted for 60% of Peru's total exports during the first seven months of the year.

Chart 1



Sources: Scotiabank Economics, MINCETUR.

A side effect of the rise in gold prices is the emergence of India as the second-largest destination for Peruvian exports between January and July (chart 2), with shipments totaling US$6.2bn (9.7% of the total). This displaced the United States, which received US$6.0bn (9.4% of the total) while China remained Peru's largest trading partner with exports totaling US$24.3bn (38.3% of the total).

Gold was the primary product exported to India, reaching US$5.1bn between January and July. This figure more than doubled the US$2.2bn recorded during the same period in 2025 and accounted for 83% of total exports to that country. As with India, mineral exports dominated shipments to China. In particular, copper concentrate exports totaled US$15.8bn between January and July, representing 65% of total exports to that market.

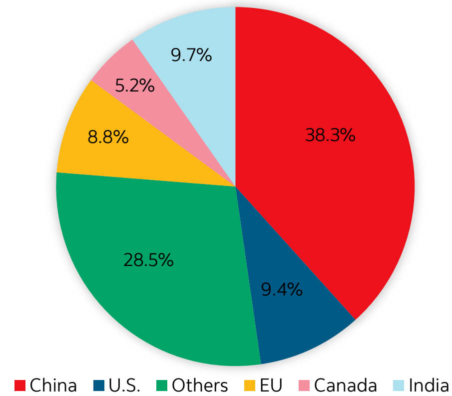
Meanwhile, although the U.S. ranked third among Peru's export destinations, it remained the leading buyer of non-traditional (value-added) exports—absorbing nearly 30% of the total—ahead of the European Union and China. Demand was particularly strong for agro-industrial products (such as blueberries, grapes, coffee, cocoa, and asparagus) and textiles (specifically cotton garments).

The results recorded between January and July align with our projection that Peruvian exports will reach a record US$108bn by the end of 2026, a 16% increase over 2025. This positive trend is expected to be driven primarily by higher mining exports, which would approach US$80bn (+27%), and, to a lesser extent, by non-traditional exports, which would rise to nearly US$24bn (+2%).

Chart 2

Peru: Exports by Trading Partner

Jan-Jul 2026, % of Total



Sources: Scotiabank Economics, MINCETUR.

Market Events & Indicators for September 19–October 2

CHILE

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Sep-24	8:00	PPI m/m	Aug	--	--	1.9	--
Sep-28	7:30	Central Bank Traders Survey		--	--	--	--
Sep-30	8:00	Retail Sales y/y	Aug	--	--	2.2	--
Sep-30	8:00	Commercial Activity y/y	Aug	--	--	-0.2	--
Sep-30	8:00	Unemployment Rate	Aug	--	--	9.5	--
Sep-30	8:00	Industrial Production y/y	Aug	--	--	-5.1	--
Sep-30	8:00	Manufacturing Production y/y	Aug	--	--	-5.0	--
Sep-30	8:00	Copper Production Total (MT)	Aug	--	--	403424	--
Oct-01	7:30	Economic Activity m/m	Aug	--	--	-1.7	--
Oct-01	7:30	Economic Activity y/y	Aug	--	--	-1.5	--
Sep 30 - Oct 05		IMCE Business Confidence	Sep	--	--	48.2	--

MEXICO

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Sep 15-22		ANTAD Same-Store Sales y/y	Aug	--	--	1.7	--
Sep-22	8:00	Retail Sales m/m	Jul	--	--	-0.2	--
Sep-22	8:00	Retail Sales y/y	Jul	--	1.9	2.7	--
Sep-22		Citi Survey of Economists		--	--	--	--
Sep-24	8:00	Economic Activity IGAE y/y	Jul	--	1.9	2.8	--
Sep-24	8:00	Economic Activity IGAE m/m	Jul	--	0.1	-0.1	--
Sep-24	8:00	Bi-Weekly CPI y/y	Sep	--	3.3	3.3	--
Sep-24	8:00	Bi-Weekly CPI (%)	Sep	--	0.2	0.1	--
Sep-24	8:00	Bi-Weekly Core CPI y/y	Sep	--	3.8	3.8	--
Sep-24	8:00	Bi-Weekly Core CPI (%)	Sep	--	0.2	0.0	--
Sep-24	**15:00**	**Overnight Rate (%)**	**Sep**	**6.50**	**6.50**	**6.50**	**We expect that in this monetary policy decision, Banxico's governing board will maintain the policy rate at 6.50% and we expect there to be no changes over the balance of 2026 and 2027.**
Sep-25	8:00	Unemployment Rate NSA	Aug	--	--	2.9	--
Sep-28	8:00	Trade Balance (USD mn)	Aug	--	--	-848	--
Sep-28	8:00	Exports (USD mn)	Aug	--	--	81420	--
Sep-28	8:00	Imports (USD mn)	Aug	--	--	82268	--
Sep-30		Mexican Public Balance (MXN bn)	Aug	--	--	-746.2	--
Oct-01	14:00	IMEF Manufacturing Index SA	Sep	--	--	49.7	--
Oct-01	15:00	IMEF Non-Manufacturing Index SA	Sep	--	--	48.7	--
Oct-01	11:00	Remittances Total (USD mn)	Aug	--	--	5571	--
Oct-01	11:00	S&P Global Mexico Manufacturing PMI	Sep	--	--	49.8	--
Oct-01	11:00	Central Bank Economist Survey		--	--	--	--
Oct-02	8:00	Vehicle Domestic Sales	Sep	--	--	129479	--

PERU

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Oct-01	11:00	Lima CPI y/y	Sep	--	--	4.4	--
Oct-01	11:00	Lima CPI m/m	Sep	--	--	0.1	--

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

Market Events & Indicators for September 19–October 2

BRAZIL

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Sep-21	7:25	Central Bank Weekly Economist Survey		--	--	--	--
Sep-22	7:00	Central Bank Meeting Minutes		--	--	--	--
Sep-24	7:00	Central Bank Monetary Policy Report		--	--	--	--
Sep-24	7:00	FGV Consumer Confidence	Sep	--	--	84.7	--
Sep-25	8:00	IBGE Inflation IPCA-15 m/m	Sep	--	--	-0.4	--
Sep-25	8:00	IBGE Inflation IPCA-15 y/y	Sep	--	--	4.2	--
Sep-28	7:25	Central Bank Weekly Economist Survey		--	--	--	--
Sep-28	7:30	Current Account Balance (USD mn)	Aug	--	--	-8110	--
Sep-28	7:30	Foreign Direct Investment (USD mn)	Aug	--	--	7461	--
Sep-29	7:30	Outstanding Loans m/m	Aug	--	--	0.3	--
Sep-29	7:30	Total Outstanding Loans (BRL bn)	Aug	--	--	7372	--
Sep-29	8:00	National Unemployment Rate	Aug	--	--	5.3	--
Sep-29		Formal Job Creation Total	Aug	--	--	58568	--
Sep-29		Central Govt Budget Balance (BRL bn)	Aug	--	--	10.8	--
Sep-30	7:30	Net Debt % GDP	Aug	--	--	69.1	--
Oct-01	9:00	S&P Global Brazil Manufacturing PMI	Sep	--	--	46.3	--
Oct-02	8:00	Industrial Production m/m	Aug	--	--	0.2	--
Oct-02	8:00	Industrial Production y/y	Aug	--	--	-0.5	--

COLOMBIA

Date	Time	Event	Period	BNS	Consensus	Latest	BNS Comments
Sep-21	11:00	Trade Balance (USD mn)	Jul	--	-2669	-2161	--
Sep-21	11:00	Imports CIF Total (USD mn)	Jul	--	--	6776	--
Sep-30	11:00	National Unemployment Rate	Aug	--	--	8.1	--
Sep-30	11:00	Urban Unemployment Rate	Aug	--	--	8.6	--
Sep-30		Industrial Confidence	Aug	--	--	6.1	--
Sep-30		Retail Confidence	Aug	--	--	27.5	--
Sep-30	**14:00**	**Overnight Lending Rate (%)**	**Sep**	**--**	**--**	**12.00**	**--**
Oct-01	11:00	Davivienda Colombia PMI Mfg	Sep	--	--	54.3	--

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

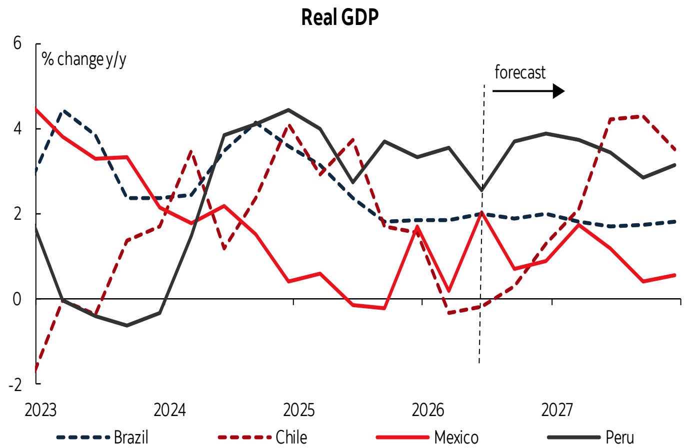
Forecast Updates: Central Bank Policy Rates and Outlook

		Next Scheduled Meeting		BNS Forecast		
	Current	**Date**	**BNS**	**End-2026**	**End-2027**	**BNS Guidance for Next Monetary Policy Meeting**
Chile, BCCh, TPM	4.50%	Oct-27	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%	6.50%	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 over the balance of 2026 and 2027.
Peru, BCRP, TIR	4.25%	Oct-07	4.25%	4.25%	4.25%	We continue to see monthly inflation readings with no significant surprises since May. However, our year-end 2026 inflation forecast of 4.2% carries an upside bias, as fuel prices have remained elevated. With regard to the policy rate, we expect it to remain unchanged through the remainder of the year, although an escalation of tensions in the Middle East and the potential impact of El Niño pose upside risks.
Brazil, BCB, Selic	13.75%	Nov-04	13.75%	13.75%	12.00%	

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

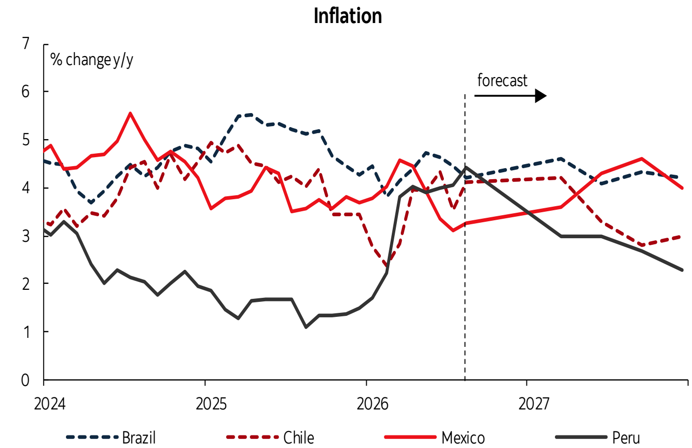
Key Economic Charts

Chart 1



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

Chart 2



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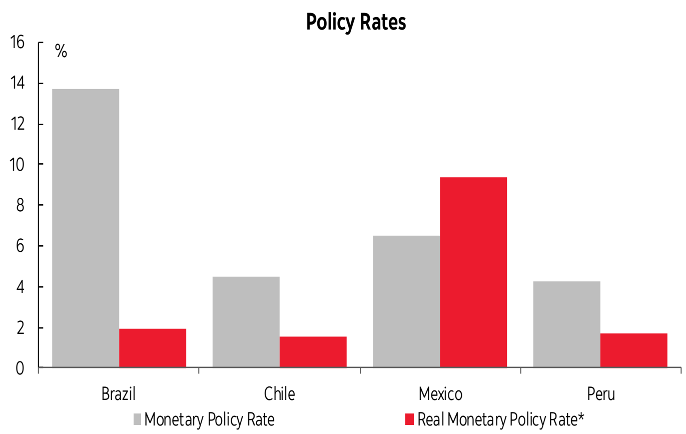
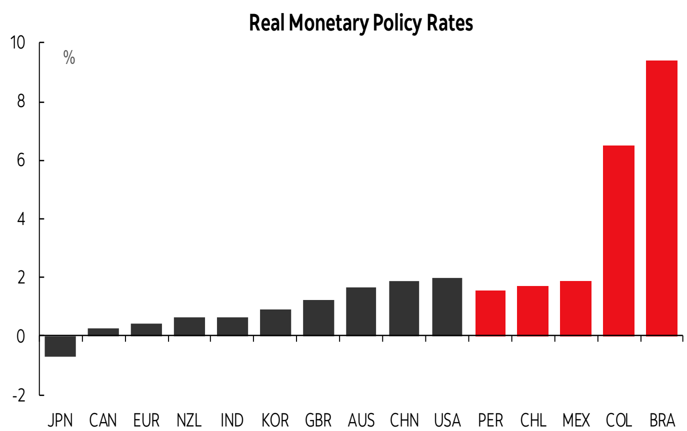


Real monetary policy rate = current policy rate - BNS expected inflation, end-Q3-2027, % y/y.
Sources: Scotiabank Economics, BCCH, BCRP, BCB, Banxico, BanRep, Focus Economics.

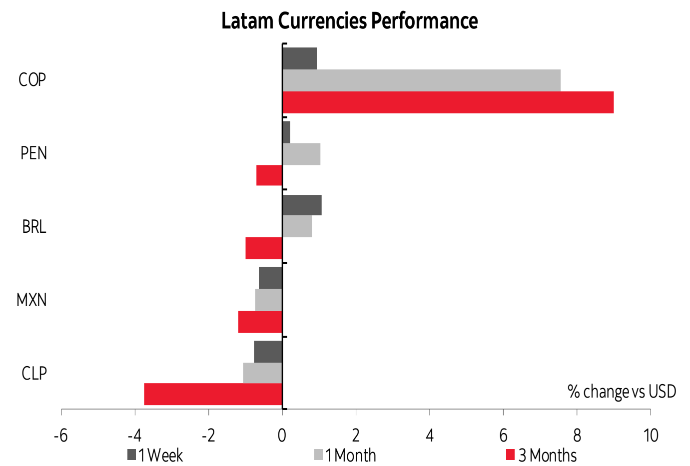
Chart 4



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.

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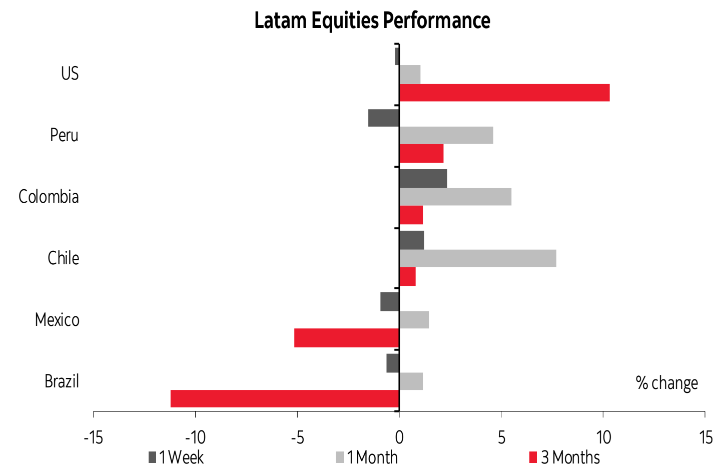

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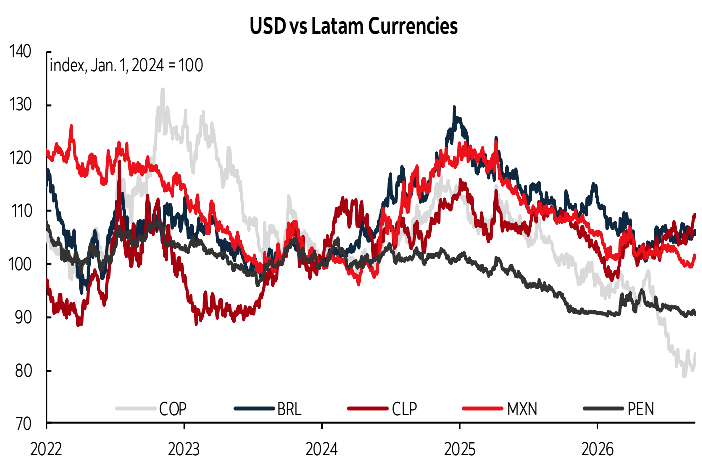

Sources: Scotiabank Economics, Bloomberg.

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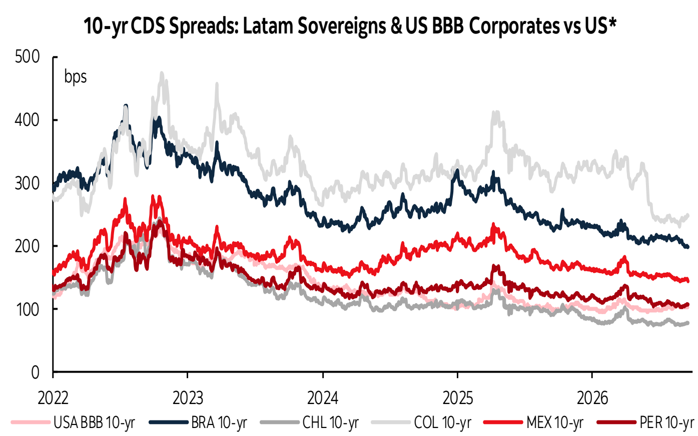
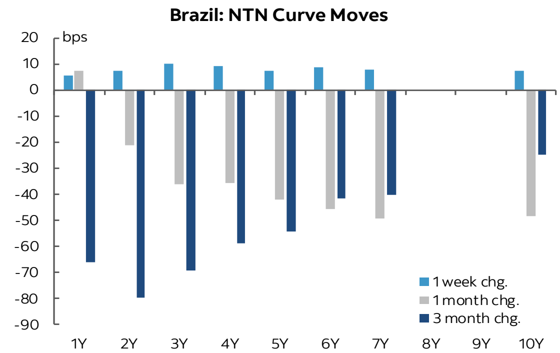


*Sovereigns vs US swaps; BBB corporates vs 10-yr USTs.
Sources: Scotiabank Economics, Bloomberg.

Yield Curves

Chart 1



Sources: Scotiabank Economics, Bloomberg.

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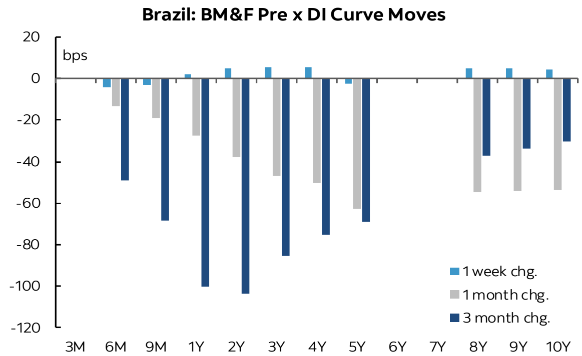

Sources: Scotiabank Economics, Bloomberg.

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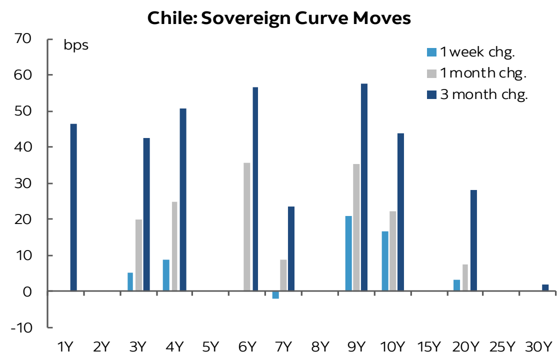

Sources: Scotiabank Economics, Bloomberg.

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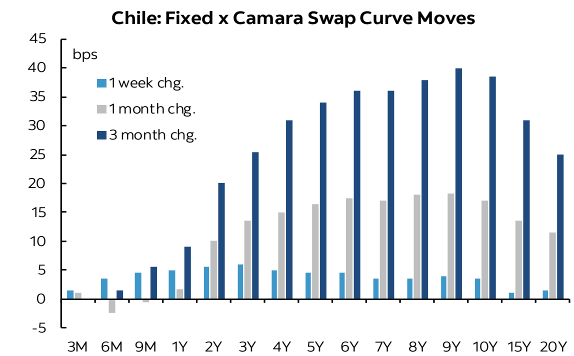
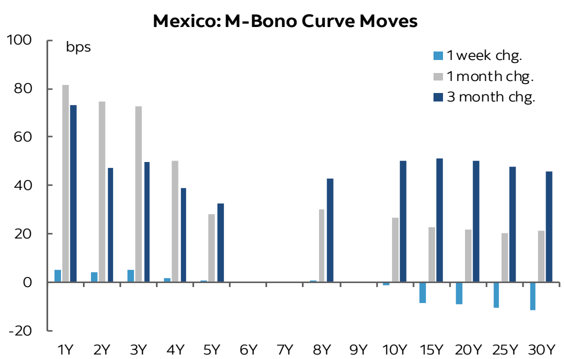


Sources: Scotiabank Economics, Bloomberg.

Chart 5



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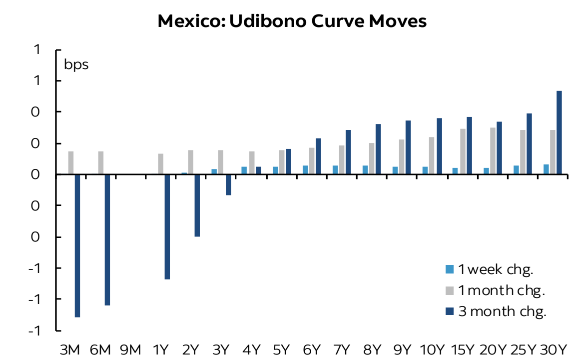
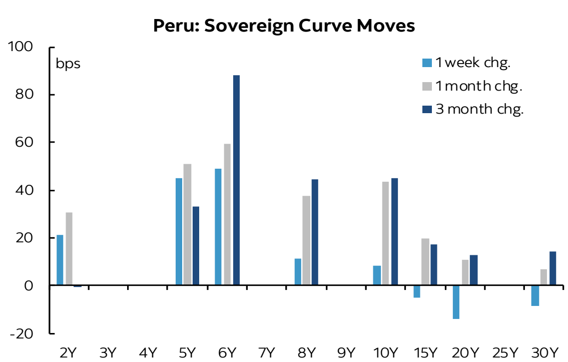


Sources: Scotiabank Economics, Bloomberg.

Chart 7



Sources: Scotiabank Economics, Bloomberg.

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