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ECONOMIC OVERVIEW

- Between now and Friday, the Fed, ECB, BoE, BCB, Banxico, BCRP, SNB, Norges Bank, and PBoC will all meet and decide on policy, with recent inflation optimism prompting a sharp rally in global rates markets that has gone mostly unchallenged by officials—which partly fueled greater declines in yields.
- Among the key central banks announcing policy next week, only the BCB and BCRP are expected to move their benchmark rates, and it's unlikely that they deviate from expected respective 50bps and 25bps cuts.
- As for Banxico, the doves in the board may firm up guidance for an earlier (February) rather than later (March) start to rate reductions. The Fed and ECB will be looking to push back against the quick increase in cuts pricing; the BoE may be more comfortable.
- Colombia retail sales and industrial production, Peru monthly GDP, the BCCh's dual traders and economists surveys, and Brazilian CPI are the Latam data highlights. Chileans vote on the new Constitution text on the 17th. Elsewhere, US CPI and retail sales, UK GDP, Chinese retail sales, industrial output, and investment, and global PMIs data await.

MARKET EVENTS & INDICATORS

- A comprehensive risk calendar with selected highlights for the period December 9–22 across the Pacific Alliance countries and Brazil.

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Economic Overview: Central Banks Parade

- **Between now and Friday the Fed, ECB, BoE, BCB, Banxico, BCRP, SNB, Norges Bank, and PBoC will all meet and decide on policy, with recent inflation optimism prompting a sharp rally in global rates markets that has gone mostly unchallenged by officials—which partly fueled greater declines in yields.**
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- **Colombia retail sales and industrial production, Peru monthly GDP, the BCCh's dual traders and economists surveys, and Brazilian CPI are the Latam data highlights. Chileans vote on the new Constitution text on the 17th. Elsewhere, US CPI and retail sales, UK GDP, Chinese retail sales, industrial output, and investment, and global PMIs data await.**

This week, the BoC's and the RBA's as-expected decisions with little surprises quietly kicked off the last round of central bank decisions of 2023. Between now and Friday the Fed, ECB, BoE, BCB, Banxico, BCRP, SNB, Norges Bank, and PBoC will all meet and decide on policy, after recent inflation optimism prompting a sharp rally in global rates markets that has gone mostly unchallenged by officials, which partly fueled greater declines in yields.

Among the key central banks announcing policy next week, only the BCB and BCRP are expected to move their benchmark rates, however. What's more, there's only some very slight uncertainty around the possible size of the BCRP's cut (25 or 50bps) while the BCB is on a clearly laid-out 50bps schedule. November inflation data out on Tuesday and services volumes figures out on Wednesday ahead of the BCB's decision are unlikely to materially change their guidance.

Throughout the week, we will preview the Latam central banks' decisions in our *Latam Daily* reports. We see the BCB cutting the Selic rate 50bps to 11.75% (and another 50bps will very likely follow in February). November inflation data out on Tuesday and services volumes figures out on Wednesday ahead of the BCB's decision are unlikely to materially change their guidance; October economic activity data closes out the week.

The BCRP looks on track to continuing its easing cycle at a 25bps pace—despite a solid November inflation miss (see [here](#)) and a weak economic performance. The day after the decision, we'll get October GDP data that we expect will show a 0.4% y/y contraction in output due to weakness in manufacturing and construction industries against a boost from the second fishing season of the year (first one in May was cancelled); unemployment data are also out on Friday.

As for Banxico, the doves in the board may firm up guidance for an earlier (February) rather than later (March) start to rate cuts; at the margin, the deceleration in core inflation in November would support their view (see [here](#)). Mexican industrial production figures scheduled for a Tuesday release (markets closed for holidays) and Banxico's economists survey on Friday should be an afterthought. We're also watching what happens at Movimiento Ciudadano regarding who will represent them in next

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year's presidential elections after Garcia dropped out to return to the Nuevo Leon governorship. On the topic of politics, Milei's presidency in Argentina begins Sunday, the 10th.

It will be BanRep's and the BCCh's turn the following week, on the 19th, coming after an intriguing BoJ announcement in the early hours that same day. In the case of the BCCh, November's CPI print massively beat expectations (see [here](#)), which has led the team to revise their expectation to a 50bps reduction versus a 75bps forecast before the data. It's likely that other analysts feel the same way—and maybe also consider changes to their projections for the January 31st decision—in the results to the BCCh's economists and traders surveys out on Tuesday and Thursday, respectively. Recall that on the 17th, Chileans will vote on whether to approve or reject the new Constitution text; before the polls blackout period, there was no statistical certainty about which option will be the most popular.

There's still some uncertainty around whether BanRep will begin its cutting cycle in December, more so after inflation data surprised to the upside (see [here](#)), though for now we think they will, by 25bps (but it's a close call). We get data for manufacturing/industrial production and retail sales, and the results of BanRep's economists survey on Friday, followed by monthly economic activity on the 18th, to help us narrow our view.

Of the remaining central banks meeting next week, some like the Fed and ECB could push back against what may be overextended cut bets in markets (~110–120bps and ~130–140bps by end-2024, respectively), while the BoE may be a bit more comfortable with market expectations (~80bps by end-2024) and not have to sound as hawkish (though it should consider itself lucky). Markets and economists are fairly confident the next SNB move will be a cut, in March, but are slightly prepared for a would-be surprise Norges Bank hike next week (Norwegian inflation out on Monday, too). The PBoC is not expected to shake things up on Friday. We also get a lot of data from outside Latam next week: US CPI on Tuesday; the BoJ's Tankan survey, UK GDP, US PPI and IP on Wednesday; New Zealand Q3 GDP, Switzerland CPI, and US retail sales and import/export prices on Thursday; and a flood of global PMIs and Chinese retail sales, investment, and industrial production on Friday.

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-2023	End-2024	
Brazil, BCB, Selic	12.25%	Dec-13	11.75%	11.75%	9.00%	
Chile, BCCh, TPM	9.00%	Dec-19	8.50%	8.50%	4.25%	We anticipate a 50 bps cut to 8.50% at the December meeting.
Colombia, BanRep, TII	13.25%	Dec-19	13.00%	13.00%	7.00%	Colombia is providing mixed signals. Economic activity contracted in the third quarter, but employment apparently is robust, and inflation remains high. Before BanRep's committee meeting in December, there will be one more inflation reading and some economic indicators for Q4-2023. The minimum wage is also an important piece of information as it defines a large part of the indexation effects. However, we are not sure if the final decision will be taken before the BanRep meeting. It is a close call whether the easing cycle will start in December or Q1-2024.
Mexico, Banxico, TO	11.25%	Dec-14	11.25%	11.25%	9.50%	Banxico left its monetary policy rate unchanged in a unanimous decision at 11.25%, as widely expected. In addition, the Board revised downward its average headline inflation forecast for 2023-Q4 and 2024-Q1, to 4.4% y/y and 4.3% y/y, respectively. They showed that the board will decide to keep rates high for longer, the consensus of analysts foresee the cutting cycle beginning in 2024-Q2, ending that year at 9.25%, although some analysts expect the first cut to occur even earlier, in 2024-Q1.
Peru, BCRP, TIR	7.00%	Dec-14	6.75%	6.75%	4.75%	We expect a new interest rate cut of 25 bps in December because it is possible that inflation will continue to surprise us by falling further. Weak economic performance is also an influencing factor.

Sources: Scotiabank Economics, Scotiabank GBM, Bloomberg.

Key Economic Charts

Chart 1

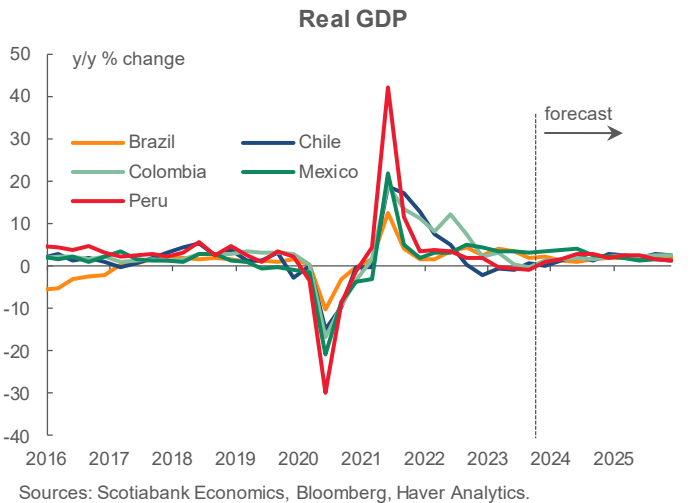


Chart 2

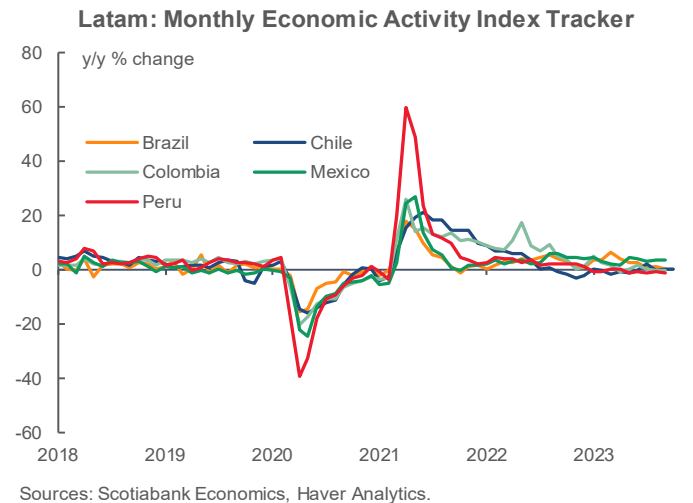


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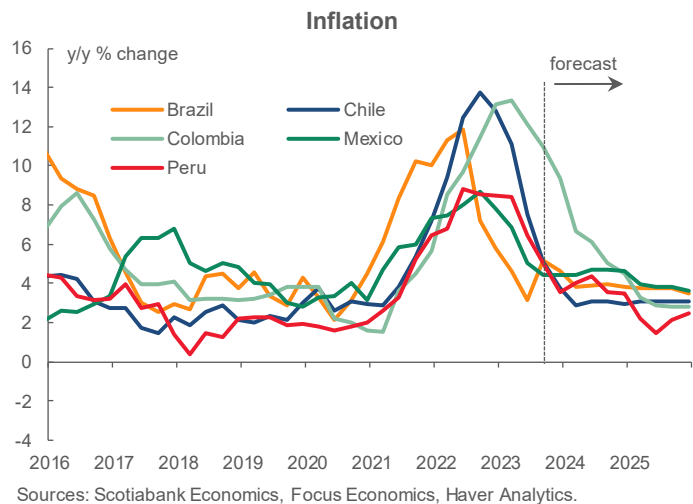


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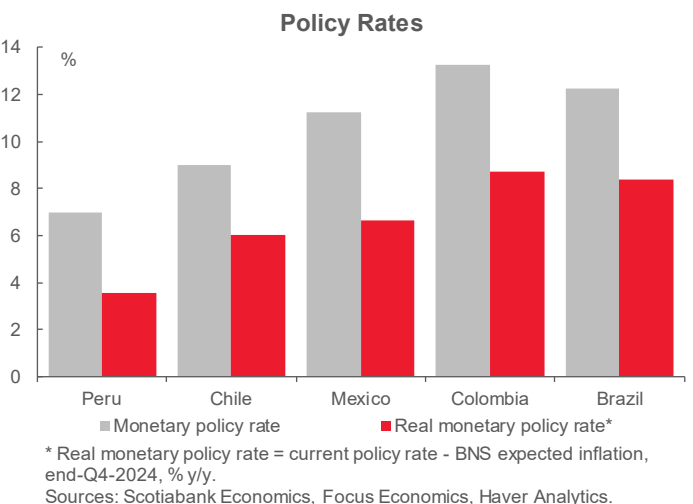
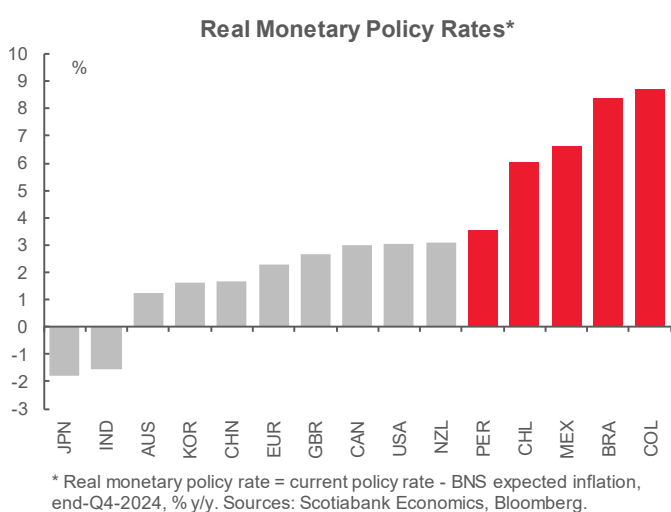


Chart 5



Key Market Charts

Chart 1

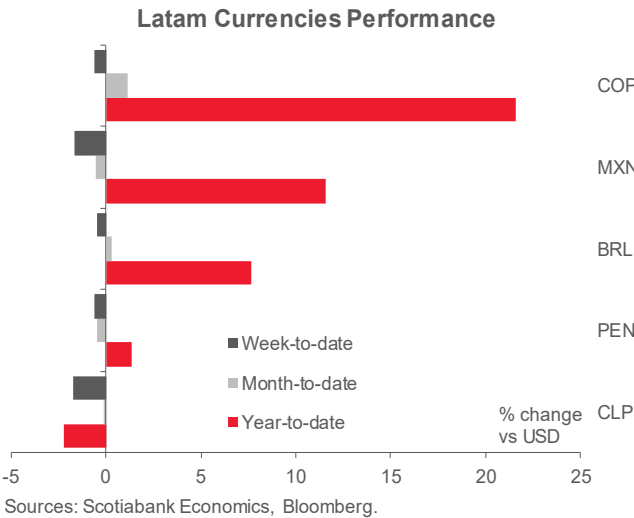


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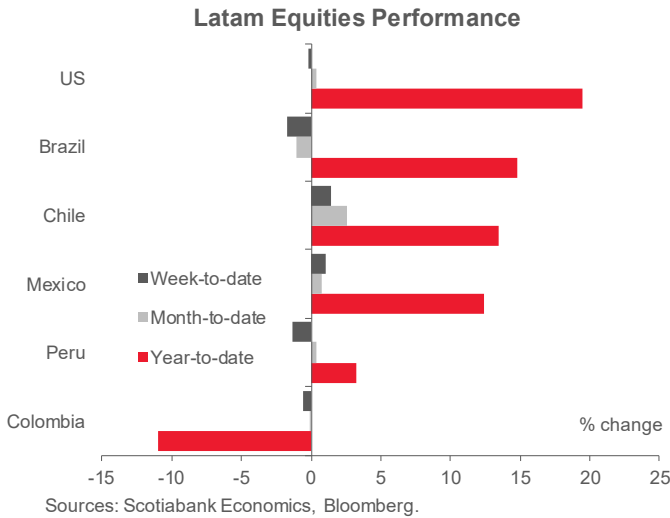


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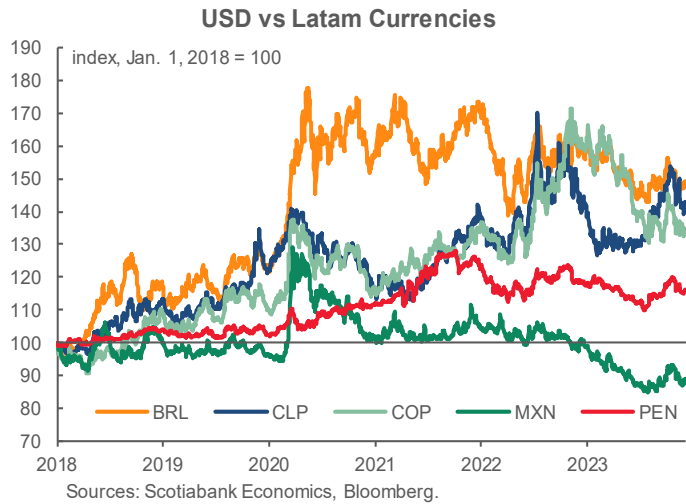
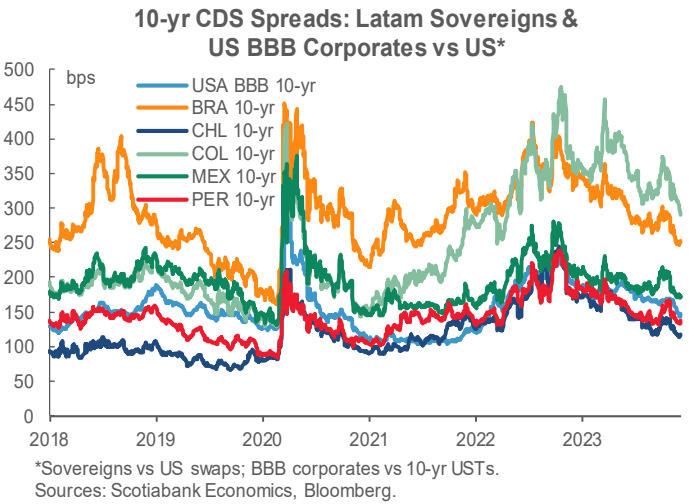


Chart 4



Yield Curves

Chart 1

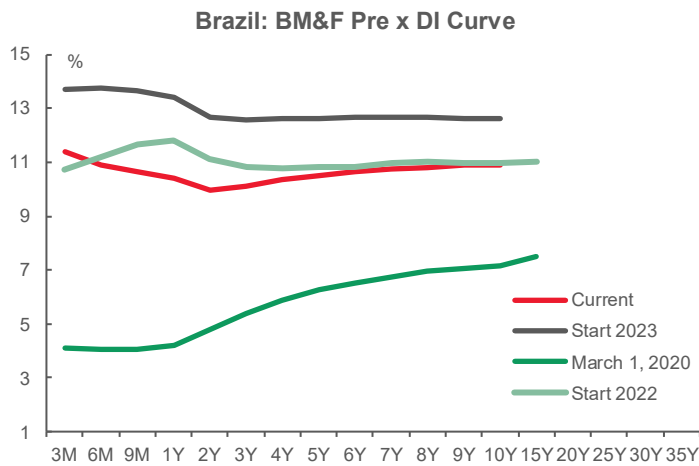


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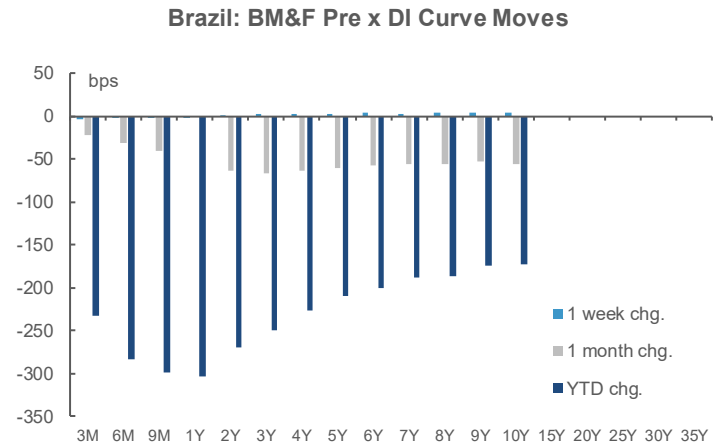


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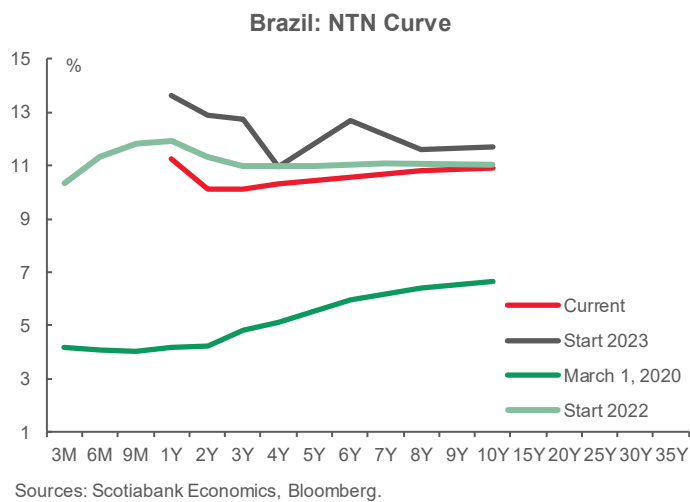


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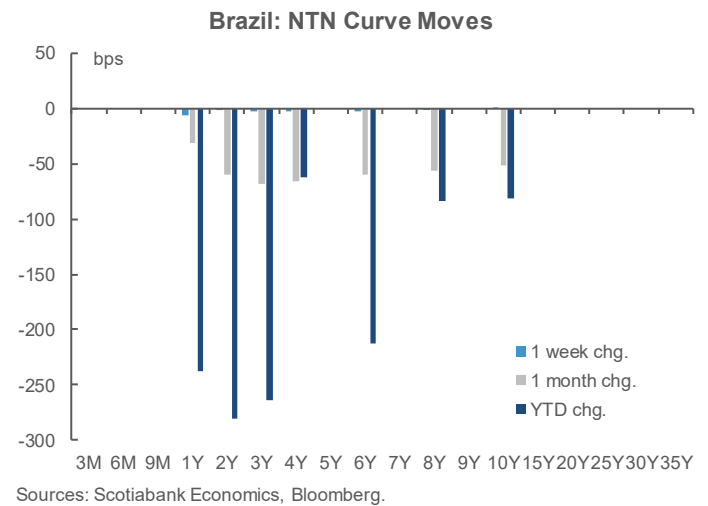


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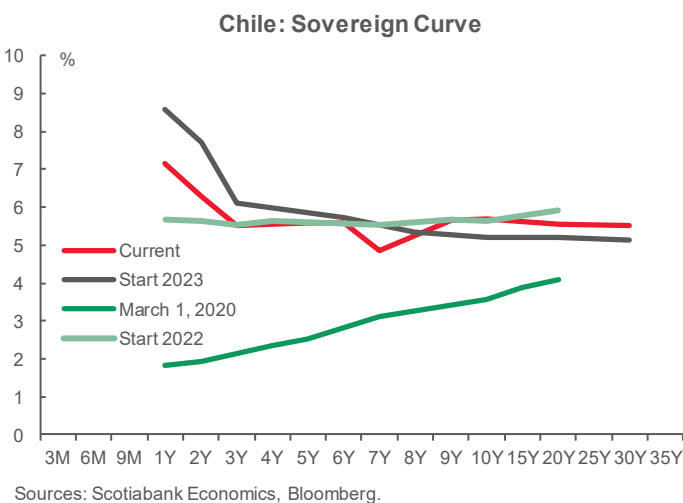
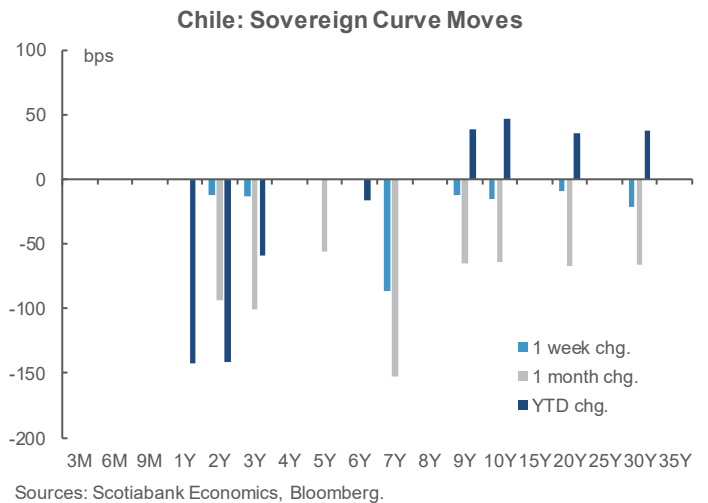


Chart 6



Yield Curves

Chart 7

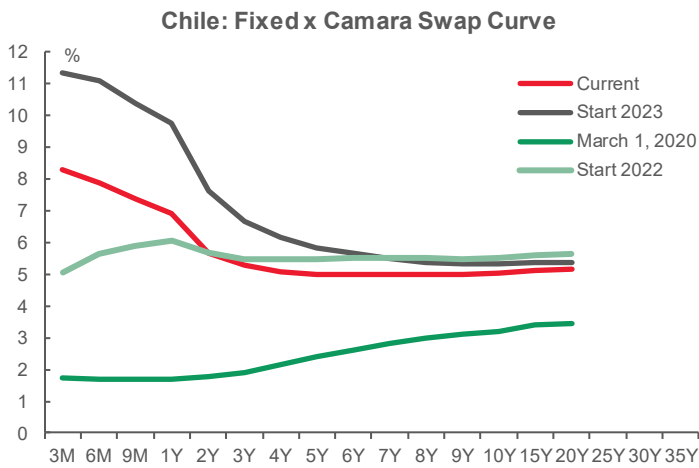


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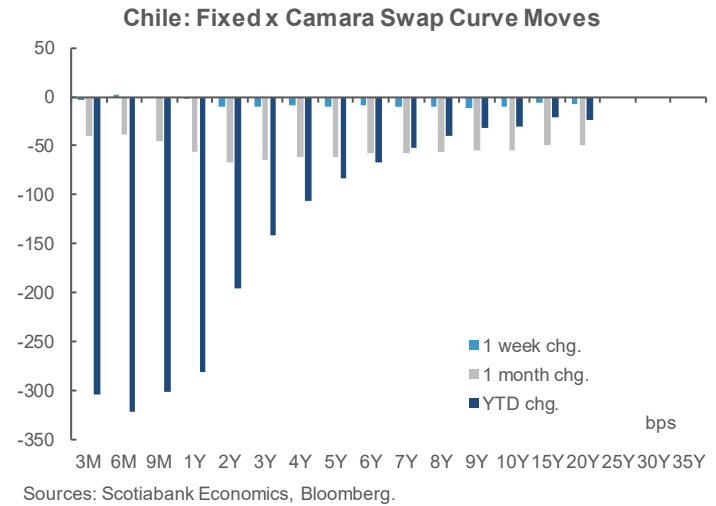


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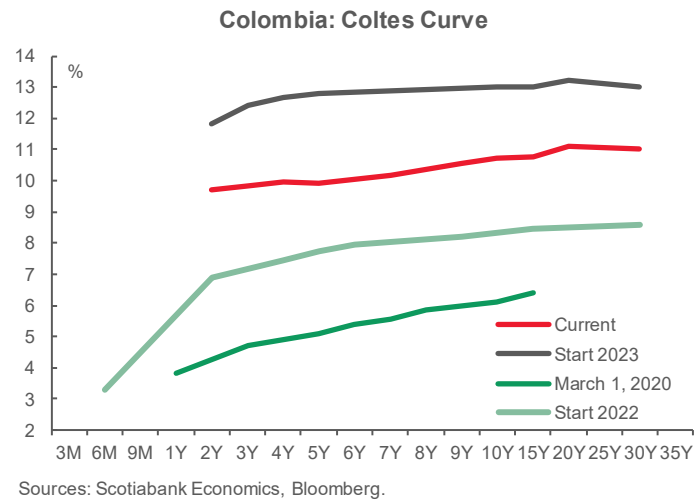


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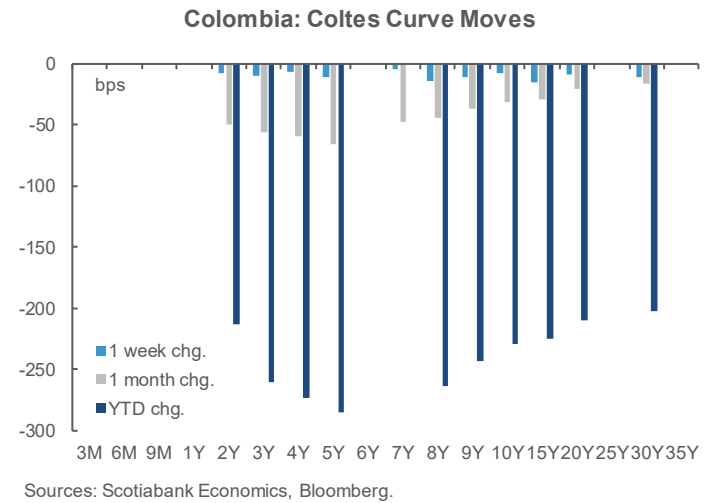


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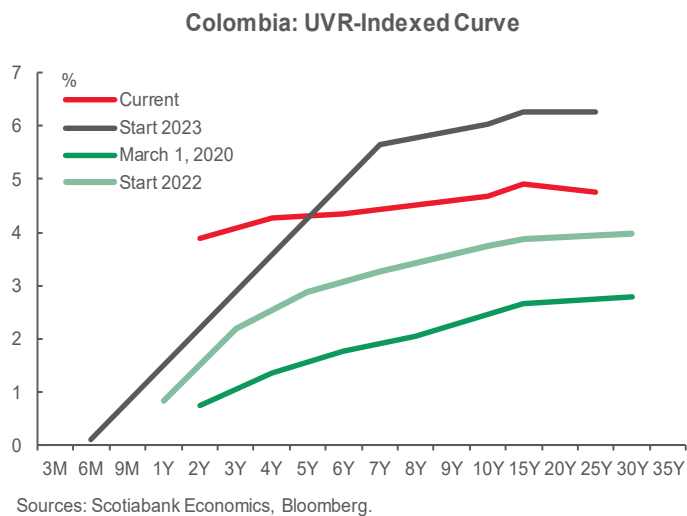
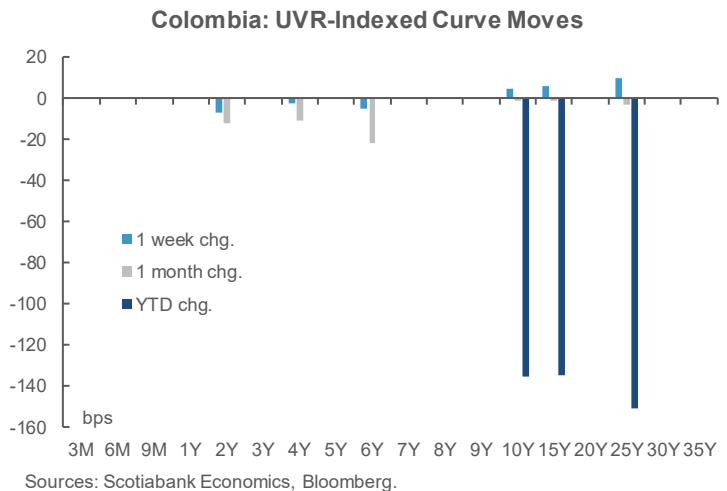


Chart 12



Yield Curves

Chart 13

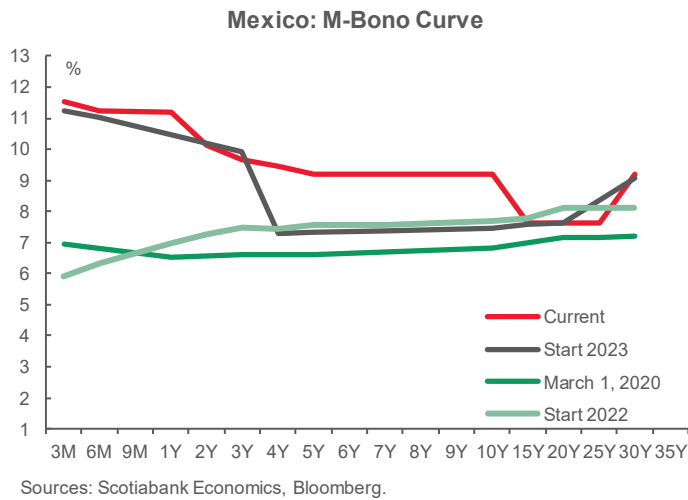


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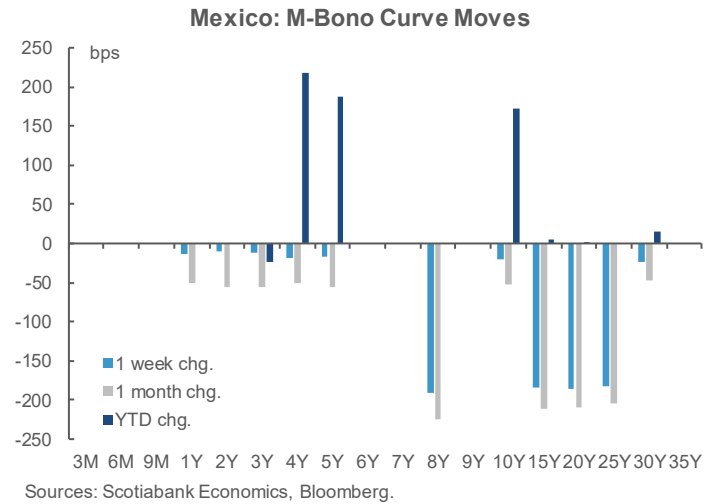


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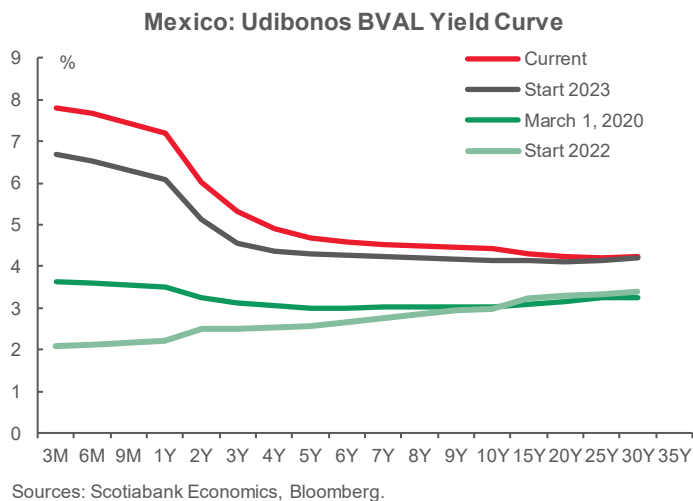


Chart 16

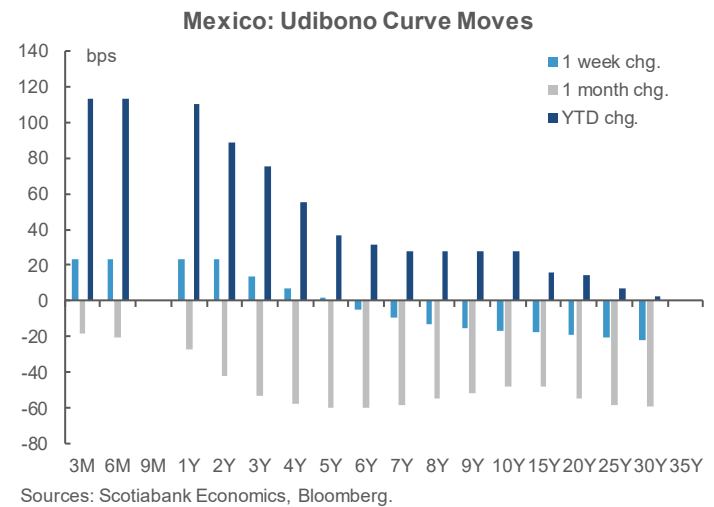


Chart 17

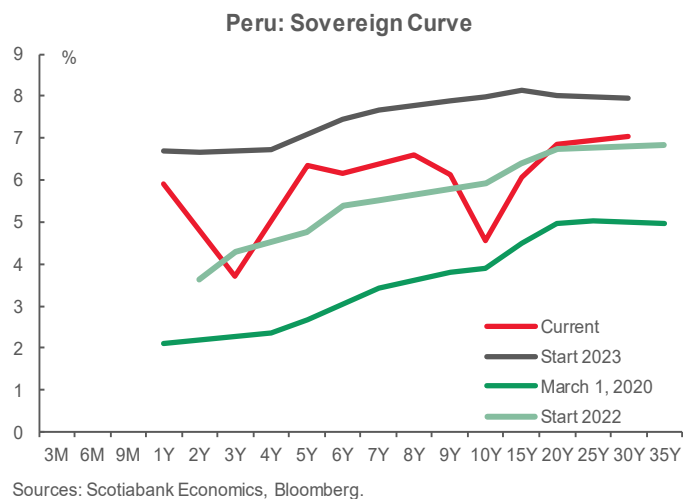
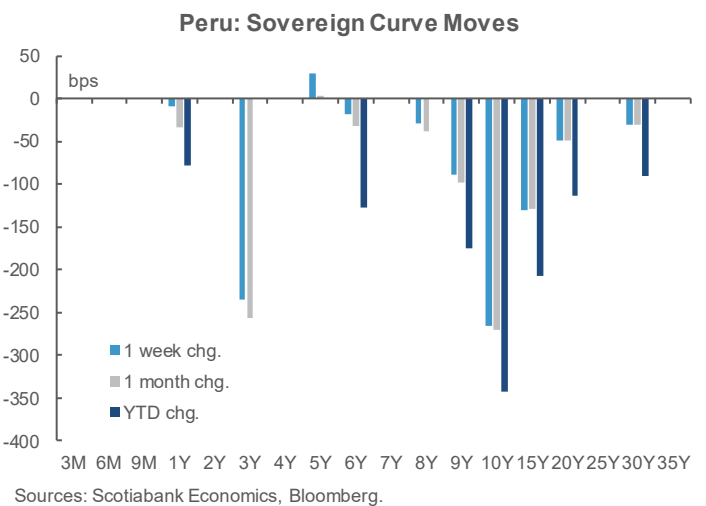


Chart 18



Market Events & Indicators for December 9–22

BRAZIL

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Dec-11	3:00 FIPE CPI - Weekly (%)	07-Dec	--	--	0.43	
Dec-11	6:25 Central Bank Weekly Economist Survey		--	--	--	
Dec-11	13:00 Trade Balance Weekly USD mn)	10-Dec	--	--	1962.9	
Dec-12	7:00 IBGE Inflation IPCA m/m	Nov	--	--	0.24	
Dec-12	7:00 IBGE Inflation IPCA y/y	Nov	--	4.7	4.82	
Dec-13	7:00 IBGE Services Volume m/m SA	Oct	--	--	-0.3	
Dec-13	7:00 IBGE Services Volume y/y NSA	Oct	--	--	-1.2	
Dec-13	16:30 Selic Rate (%)	13-Dec	11.75	11.75	12.25	
Dec-14	7:00 Retail Sales Broad m/m	Oct	--	--	0.2	
Dec-14	7:00 Retail Sales Broad y/y	Oct	--	--	2.9	
Dec-14	7:00 Retail Sales y/y	Oct	--	--	3.3	
Dec-14	7:00 Retail Sales m/m	Oct	--	--	0.6	
Dec-15	6:00 FGV Inflation IGP-10 m/m	Dec	--	--	0.52	
Dec-15	7:00 Economic Activity y/y	Oct	--	--	0.32	
Dec-15	7:00 Economic Activity m/m	Oct	--	--	-0.06	
Dec-18	6:00 FGV CPI IPC-S (%)	15-Dec	--	--	0.33	
Dec-18	6:25 Central Bank Weekly Economist Survey		--	--	--	
Dec-18	13:00 Trade Balance Weekly (USD mn)	17-Dec	--	--	1962.9	
Dec-19	3:00 FIPE CPI - Weekly (%)	15-Dec	--	--	0.43	
Dec-19	6:30 Central Bank Meeting Minutes		--	--	--	
Dec-21	6:00 Central Bank Quarterly Inflation Report		--	--	--	
Dec-22	6:00 FGV Consumer Confidence	Dec	--	--	93	
Dec-22	6:30 Current Account Balance (USD mn)	Nov	--	--	-229.8	
Dec-22	6:30 Foreign Direct Investment (USD mn)	Nov	--	--	3306	
Dec 20-25	Tax Collections (BRL mn)	Nov	--	--	215602	

CHILE

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Dec-12	6:30 Central Bank Economist Survey		--	--	--	
Dec 7-13	Vehicle Sales Total	Nov	--	--	25630	
Dec-14	6:30 Central Bank Traders Survey		--	--	--	
Dec-19	16:00 Overnight Rate Target (%)	19-Dec	8.50	--	9.00	
Dec-22	7:00 PPI m/m	Nov	--	--	1	

COLOMBIA

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Dec-12	Consumer Confidence Index	Nov	--	--	-14	
Dec-15	10:00 Manufacturing Production y/y	Oct	--	--	-6.93	
Dec-15	10:00 Industrial Production y/y	Oct	--	--	-2.83	
Dec-15	10:00 Retail Sales y/y	Oct	--	--	-9.3	
Dec-15	Central Bank's Economists Survey		--	--	--	
Dec-18	11:00 Economic Activity NSA y/y	Oct	--	--	-0.1	
Dec-19	13:00 Overnight Lending Rate (%)	19-Dec	13.00	--	13.25	
Dec-19	Industrial Confidence	Nov	--	--	-3.7	
Dec-19	Retail Confidence	Nov	--	--	14.7	
Dec-20	10:00 Imports CIF Total (USD mn)	Oct	--	--	4944.2	
Dec-20	10:00 Trade Balance (USD mn)	Oct	--	--	-574.7	
Dec-22	17:00 Colombia Monetary Policy Minutes		--	--	--	

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for December 9–22

MEXICO

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Dec-11	ANTAD Same-Store Sales y/y	Nov	--	--	2.9	
Dec-12	7:00 Manuf. Production NSA y/y	Oct	--	--	0.82	
Dec-12	7:00 Industrial Production NSA y/y	Oct	--	--	3.92	
Dec-12	7:00 Industrial Production SA m/m	Oct	--	--	0.15	
Dec-13	10:00 International Reserves Weekly (USD mn)	08-Dec	--	--	207120	
Dec-14	14:00 Overnight Rate (%)	14-Dec	11.25	11.25	11.25	
Dec-15	10:00 Central Bank Economist Survey		--	--	--	
Dec-11-15	Nominal Wages m/m	Nov	--	--	5.76	
Dec-18	7:00 Aggregate Supply and Demand (%)	3Q	--	--	4.8	
Dec-19	10:00 International Reserves Weekly (USD mn)	15-Dec	--	--	207120	
Dec-19	Banamex Survey of Economists		--	--	--	
Dec-20	7:00 Retail Sales y/y	Oct	--	--	2.3	
Dec-20	7:00 Retail Sales m/m	Oct	--	--	-0.2	
Dec-21	7:00 Bi-Weekly CPI (%)	15-Dec	--	--	-0.1	
Dec-21	7:00 Bi-Weekly Core CPI (%)	15-Dec	--	--	-0.04	
Dec-21	7:00 Bi-Weekly CPI y/y	15-Dec	--	--	4.33	
Dec-21	7:00 Bi-Weekly Core CPI y/y	15-Dec	--	--	5.3	
Dec-22	7:00 Imports (USD mn)	Nov	--	--	52226.16	
Dec-22	7:00 Exports (USD mn)	Nov	--	--	51973.67	
Dec-22	7:00 Trade Balance (USD mn)	Nov	--	--	-252.5	
Dec-22	7:00 Economic Activity IGAE m/m	Oct	--	--	0.6	
Dec-22	7:00 Economic Activity IGAE y/y	Oct	--	--	3.34	

PERU

Date	Time Event	Period	BNS	Consensus	Latest	BNS Comments
Dec-14	18:00 Reference Rate (%)	14-Dec	6.75	--	7.00	BCRP would cut its key rate in 25 bps taking advantage of lower than expected inflation.
Dec-15	10:00 Lima Unemployment Rate (%)	Nov	6.6	--	6.6	The labour market showed some signs of weakening, due to lower private investment level.
Dec-15	10:00 Economic Activity y/y	Oct	-0.4	--	-1.29	The economy contracted due to the fall of the industry and construction sector, which were affected by weak domestic demand. However, this was offset by fishing at the beginning of the second fishing campaign.

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Scotiabank Economics Latam Coverage

Local Market Coverage

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