

Latam Weekly: Phases of Re-Opening

FORECAST UPDATES

- This past week and next week see the publication of key national accounts data for Q1 that will provide the basis for substantial forecast updates in the coming days.

ECONOMIC OVERVIEW

- On May 22, the WHO declared that South America has become a new epicentre for COVID-19 at the same time that it became clearer that pre-pandemic growth was already faltering across the region. In view of the pressure lockdowns are imposing on vulnerable populations, phased re-opening plans have been articulated and are being implemented in the Pacific Alliance countries. We look at what stepwise unlocking means for each economy.

COUNTRY UPDATES

- Concise analysis of recent developments and guides to the week ahead in the Latam-6: Argentina, Brazil, Chile, Colombia, Mexico, and Peru.

MARKET EVENTS & INDICATORS

- Risk calendar with selected highlights for the period May 23–May 29 across our six major Latam economies.

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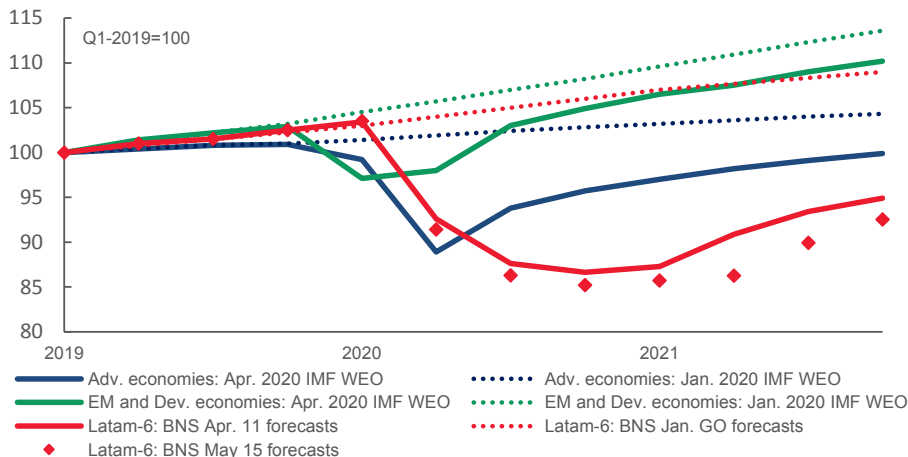
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Chart of the Week

Evolving Quarterly Global GDP Outlook



Sources: Scotiabank Economics, IMF.

Forecast Updates

	2019		2020			2021						
Argentina	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2019	2020f	2021f
Real GDP (y/y % change)	-1.1	-5.4	-12.4	-4.9	-3.3	0.3	3.1	5.9	7.5	-2.2	-5.6	4.2
CPI (y/y % eop)	53.8	48.4	49.0	46.8	45.7	51.1	50.4	48.9	46.8	53.8	45.7	46.8
Unemployment rate (% avg)	8.9	10.9	11.3	11.0	10.8	10.6	10.2	9.9	9.8	9.8	11.0	10.1
Central bank policy rate (% eop)	55.00	38.00	37.00	36.00	36.00	36.00	37.00	38.00	40.00	55.00	36.00	40.00
Foreign exchange (USDARS, eop)	59.9	64.4	73.4	79.1	83.1	86.2	87.5	89.2	93.1	59.9	83.1	93.1

	2019		2020			2021						
Brazil	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2019	2020f	2021f
Real GDP (y/y % change)	1.7	0.2	-9.3	-4.3	-0.3	1.1	4.2	3.1	1.7	1.1	-3.4	2.5
CPI (y/y % eop)	3.8	3.3	4.2	5.2	6.3	7.1	7.9	7.6	7.1	4.3	6.3	7.1
Unemployment rate (% avg)	11.3	11.7	12.7	12.8	12.6	13.2	13.6	13.6	13.4	11.9	12.5	13.5
Central bank policy rate (% eop)	6.50	3.75	2.50	1.75	1.75	3.00	4.00	4.75	5.75	4.50	1.75	5.75
Foreign exchange (USDBRL, eop)	4.02	5.25	5.71	5.11	4.78	4.81	4.69	4.58	4.42	4.02	4.78	4.42

	2019		2020			2021						
Chile	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2019	2020f	2021f
Real GDP (y/y % change)	-2.1	0.4	-9.6	-6.0	-2.1	-2.7	6.9	3.2	4.2	1.1	-4.5	2.9
CPI (y/y % eop)	3.0	3.7	2.8	3.1	2.8	2.5	2.9	3.3	3.0	3.0	2.8	3.0
Unemployment rate (% avg)	7.0	8.2	13.0	11.7	10.2	9.6	10.4	10.2	9.1	7.2	10.8	9.8
Central bank policy rate (% eop)	1.75	0.50	0.50	0.50	0.50	1.00	1.25	1.50	1.50	1.75	0.50	1.50
Foreign exchange (USDCLP, eop)	753	860	820	800	790	780	760	740	720	753	790	720

	2019		2020			2021						
Colombia	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2019	2020f	2021f
Real GDP (y/y % change)	3.4	1.1	-8.4	-4.4	0.4	-1.0	9.8	4.3	1.4	3.3	-2.9	3.6
CPI (y/y % eop)	3.2	3.9	3.3	3.1	3.2	3.0	3.2	3.1	3.1	3.8	3.2	3.1
Unemployment rate (% avg)	10.4	12.6	20.9	20.5	17.8	14.8	13.1	12.6	12.1	11.2	18.0	13.2
Central bank policy rate (% eop)	4.25	3.75	2.50	2.50	2.50	2.50	2.75	3.25	3.50	4.25	2.50	3.50
Foreign exchange (USDCOP, eop)	3,287	4,065	3,950	3,851	3,654	3,473	3,465	3,458	3,450	3,287	3,654	3,450

	2019		2020			2021						
Mexico	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2019	2020f	2021f
Real GDP (y/y % change)	-0.5	-1.6	-15.1	-10.3	-4.7	-1.0	3.4	1.5	0.9	-0.1	-8.4	1.1
CPI (y/y % eop)	2.8	3.2	2.2	2.8	2.6	2.8	3.9	3.9	3.8	2.8	2.6	3.8
Unemployment rate (% avg)	2.9	3.7	6.7	7.7	7.1	6.3	6.0	6.5	5.8	3.5	6.1	6.3
Central bank policy rate (% eop)	7.50	6.50	5.00	5.00	5.00	5.00	5.00	5.00	5.00	7.25	5.00	5.00
Foreign exchange (USDMXN, eop)	18.85	21.97	24.25	24.03	24.24	24.29	24.07	24.02	24.15	18.93	24.24	24.15

	2019		2020			2021						
Peru	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2019	2020f	2021f
Real GDP (y/y % change)	1.8	-3.4	-25.4	-5.6	-1.1	0.7	23.2	4.0	3.5	2.2	-9.0	7.0
CPI (y/y % eop)	1.9	1.8	1.6	1.4	1.1	1.1	1.2	1.6	1.7	1.9	1.1	1.7
Unemployment rate (% avg)	6.1	...	...	...	...	...	...	...	...	6.6	12.0	10.0
Central bank policy rate (% eop)	2.25	1.25	0.25	0.25	0.25	0.25	0.25	0.25	0.50	2.25	0.25	0.50
Foreign exchange (USDPEN, eop)	3.31	3.43	3.49	3.47	3.45	3.42	3.43	3.39	3.40	3.31	3.45	3.40

	2019		2020			2021						
United States	Q4	Q1e	Q2f	Q3f	Q4f	Q1f	Q2f	Q3f	Q4f	2019	2020f	2021f
Real GDP (y/y % change)	2.3	-0.4	-12.4	-7.7	-4.7	-0.4	14.4	9.2	6.0	2.3	-6.3	7.0
CPI (y/y % eop)	2.0	2.1	0.8	0.1	-0.3	0.7	1.4	2.1	2.8	2.0	-0.3	2.8
Unemployment rate (% avg)	3.5	3.8	10.3	11.5	11.6	10.8	9.4	8.1	6.9	3.7	9.3	8.8
Central bank policy rate (% eop)	1.75	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	1.75	0.25	0.25
Foreign exchange (EURUSD, eop)	1.12	1.08	1.09	1.10	1.12	1.13	1.14	1.15	1.16	1.12	1.12	1.16

Source: Scotiabank Economics.

Red indicates changes in forecasts since last report.

Forecast Updates: March–May Revisions

	March 6			April 18		Current	
	2017	2020f	2021f	2020f	2021f	2020f	2021f
Argentina*							
Real GDP (annual % change)	1.3	...	...	-5.6	4.2	-5.6	4.2
CPI (y/y %, eop)	3.0	...	...	45.7	46.8	45.7	46.8
Unemployment rate (% , avg)	...	...	...	11.0	10.1	11.0	10.1
Central bank policy rate (% , eop)	7.0	...	...	36.00	40.00	36.00	40.00
Argentine peso (USDARS, eop)	3.3	...	...	83.1	93.1	83.1	93.1
Brazil							
Real GDP (annual % change)	1.3	1.8	2.1	-3.3	2.5	-3.4	2.5
CPI (y/y %, eop)	3.0	4.2	4.1	6.3	7.1	6.3	7.1
Unemployment rate (% , avg)	...	...	...	12.4	13.5	12.5	13.5
Central bank policy rate (% , eop)	7.00	3.50	5.25	3.00	6.00	2.00	5.75
Brazilian real (USDBRL, eop)	3.31	4.37	4.11	4.84	4.42	4.78	4.42
Chile							
Real GDP (annual % change)	1.5	1.4	2.5	-2.1	2.9	-4.5	2.9
CPI (y/y %, eop)	2.3	3.0	3.0	2.8	3.0	2.8	3.0
Unemployment rate (% , avg)	...	...	...	8.3	7.7	10.8	9.8
Central bank policy rate (% , eop)	2.50	1.00	2.00	0.50	1.50	0.50	1.50
Chilean peso (USDCLP, eop)	615	740	700	790	720	790	720
Colombia							
Real GDP (annual % change)	1.4	3.6	3.6	0.6	3.6	-2.9	3.6
CPI (y/y %, eop)	4.1	3.3	3.1	3.2	3.1	3.2	3.1
Unemployment rate (% , avg)	...	...	...	14.3	10.1	18.0	13.2
Central bank policy rate (% , eop)	4.75	4.50	4.75	3.25	4.25	2.50	3.50
Colombian peso (USDCOP, eop)	2,986	3,250	3,180	3,654	3,450	3,654	3,450
Mexico							
Real GDP (annual % change)	2.1	0.6	1.6	-8.4	1.1	-8.4	1.1
CPI (y/y %, eop)	6.8	3.8	3.7	3.6	3.7	2.6	3.8
Unemployment rate (% , avg)	...	...	...	6.1	6.3	6.1	6.3
Central bank policy rate (% , eop)	7.25	6.25	6.25	5.50	5.00	5.00	5.00
Mexican peso (USDMXN, eop)	19.66	20.78	21.86	24.24	24.15	24.24	24.15
Peru							
Real GDP (annual % change)	2.5	3.0	3.5	-2.3	4.5	-9.0	7.0
CPI (y/y %, eop)	1.4	1.8	2.1	1.1	2.2	1.1	1.7
Unemployment rate (% , avg)	...	...	...	12.0	10.0	12.0	10.0
Central bank policy rate (% , eop)	3.25	2.00	2.25	0.25	1.50	0.25	0.50
Peruvian sol (USDPEN, eop)	3.24	3.40	3.35	3.45	3.40	3.45	3.40

Source: Scotiabank Economics.

* Initiated coverage March 22, 2020.

Red indicates changes in forecasts since last report.

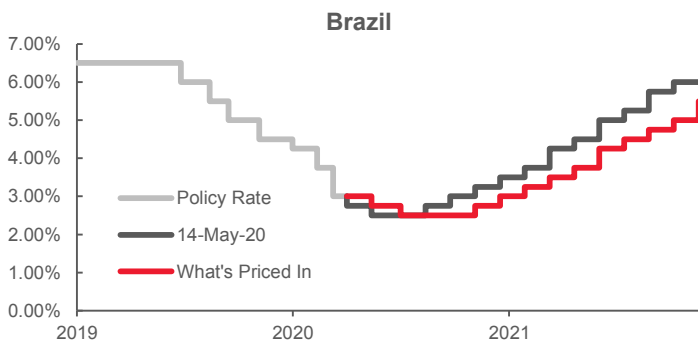
Forecast Updates: Central Bank Policy Rates and Outlook

Latam Central Banks: Policy Rates and Outlook

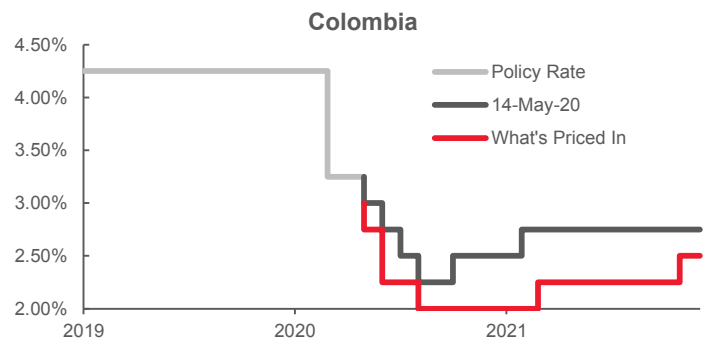
	Current	Next Scheduled Meeting			Market Pricing		BNS Forecast		BNS guidance for next monetary policy meeting
		Date	Market	BNS	12 mos	24 mos	End-2020	End-2021	
Argentina, BCRA, TPM, n.a.	38.00%	n.a.	n.a.	37.00%	n.a.	n.a.	36.00%	40.00%	The BCRA's last move on March 5 delivered its sixth rate cut in 2020. The BCRA is caught between a deepening slowdown and a run on the ARS; we expect it to prioritize domestic stimulus with further cuts.
Brazil, BCB, Selic	3.00%	Jun-17	2.66%	2.25%	3.93%	6.46%	2.00%	5.75%	We still expect one more cut by the BCB after the June Copom meeting, likely to be triggered by a downside growth surprise.
Chile, BCCh, TPM	0.50%	Jun-16	0.47%	0.50%	0.51%	0.68%	0.50%	1.50%	The BCCh maintained the policy rate at 0.5%, its technical minimum, at its May 6 meeting. The bias of its press release was toward intensifying monetary stimulus and supporting financial stability with unconventional instruments, if required.
Colombia, BanRep, TII	3.25%	May-29	2.61%	2.75%	2.35%	2.87%	2.50%	3.50%	This past week, BanRep announced that the May 29 monetary policy meeting is live for a policy rate discussion; we expect a 50 bps cut to 2.75%. Recent economic activity data for March support further easing.
Mexico, Banxico, TO	5.50%	Jun-25	5.05%	5.00%	4.20%	4.60%	5.00%	5.00%	Banco de Mexico cut its reference interest rate by 50 bps in May's meeting, as expected. Another 50 bps cut is expected by the next meeting on June 25. We will revise our forecast in the coming weeks, since the probability of more cuts is increasing.
Peru, BCRP, TIR	0.25%	Jun-11	n.a.	0.25%	n.a.	n.a.	0.25%	0.50%	Liquidity levels are adequately high; the BCRP has done its job. The recovery will depend on other factors. We expect the BCRP to maintain the current rate throughout 2020 and much of 2021.

Sources: Scotiabank Economics, Bloomberg.

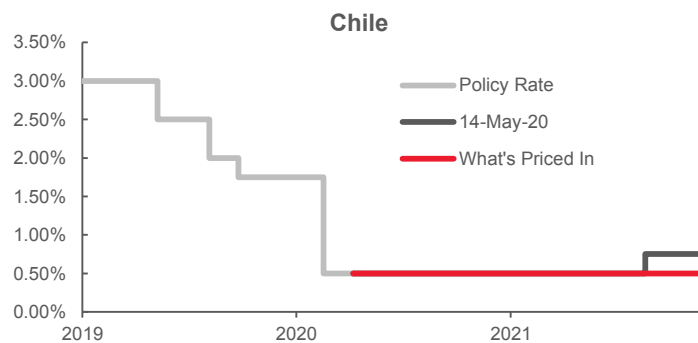
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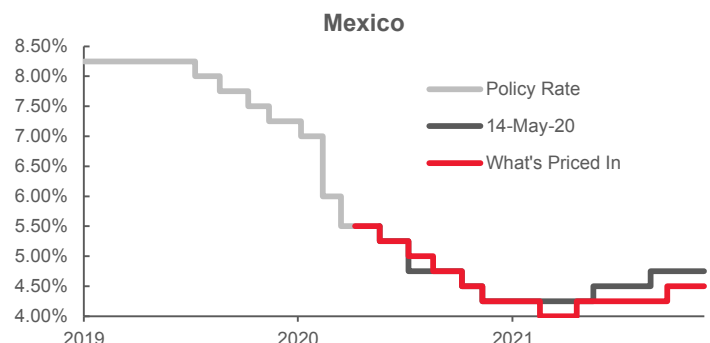
Source: Scotiabank GBM.



Source: Scotiabank GBM.



Source: Scotiabank GBM.



Source: Scotiabank GBM.

Economic Overview: It's Not Just *A* Phase

- The WHO declared that South America has become a new epicentre for COVID-19. Stubbornly steep new incidence curves imply that the region could see a second wave of contagion before its first wave has abated.
- Q1 data imply a softer than expected hand-off into Q2's quarantines and deeper than forecast effects from even just a few days of lockdowns.
- Nevertheless, phased re-opening plans have been articulated and are being implemented across the Pacific Alliance countries. We look at what stepwise unlocking means for each economy.

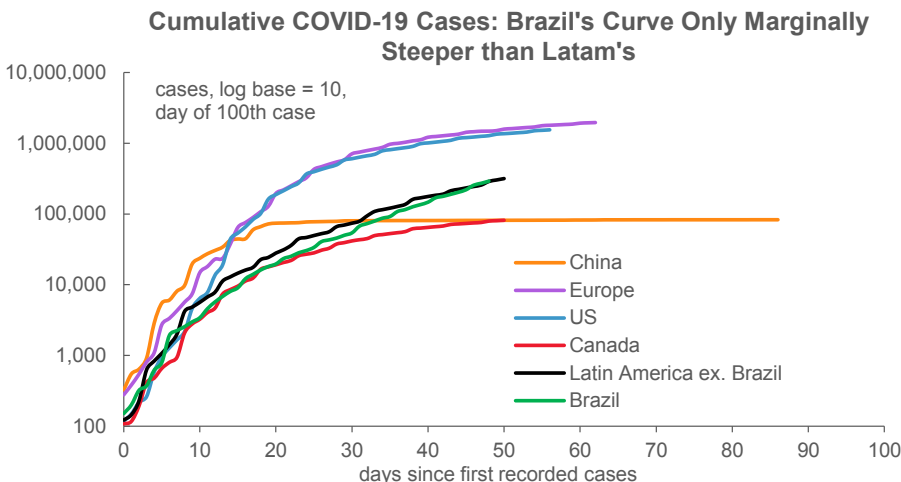
COVID-19: RUNNING OUT OF METAPHORS FOR "IT'S BAD"

On May 22, Mike Ryan, Executive Director of the WHO's Emergencies Program, declared that "South America has become a new epicenter for the disease," as new COVID-19 numbers continued to surge on the continent. He singled out Brazil, where cases are rising rapidly (chart 1), but Brazil's new incidence curve is only marginally steeper than the curve for the rest of Latam (chart 2), despite the fact that Brazil's official response to COVID-19 has been far less determined than policies enacted in some of its neighbours.

Altogether, Latam now accounts for 12.6% of global COVID-19 case numbers even though the region's countries together have only about 8.5% of the world's population. On April 1, Latam's share of global COVID-19 case numbers was 1.8%. Lockdown efforts implemented in most Latam countries from the second half of March haven't prevented the advance of the pandemic into the continent.

Brazil now has the second largest number of COVID-19 cases in the world, behind only the United States and its per capita case numbers are rising sharply (chart 3). Brazil's cases are concentrated in the São Paulo region, as

Chart 2



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Chart 1

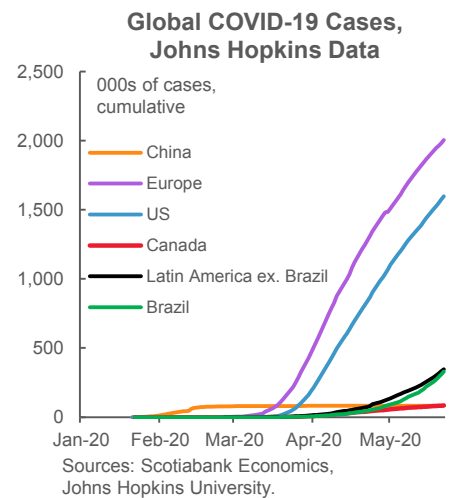


Chart 3

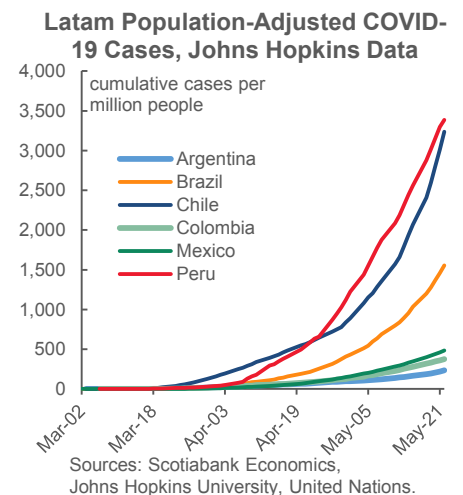
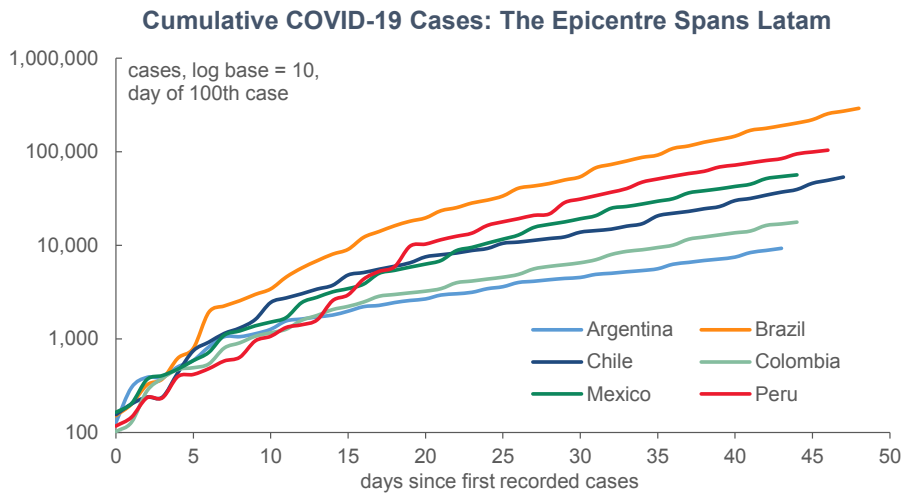


Chart 4



well as Rio de Janeiro, Ceara, Amazonas, and Pernambuco; the health system is reported to be becoming overwhelmed in all five regions, particularly in São Paulo. Yet, per capita case numbers in Chile and Peru continue to remain stubbornly higher than in Brazil, testament to the fact that none of the individual Latam-6 COVID-19 curves is appreciably flatter than the others (chart 4). Peru's total numbers now put it 12th in the world, with Mexico at 16th and Chile at 17th.

PRIOR CONDITIONS, POLICIES, & TIMING MATTER FOR OUTCOMES

Brazil leads COVID-19-related deaths in Latam (chart 5), matching its front position in total case numbers, but after Brazil the region's mortality numbers get more complicated.

- Mexico has about half as many identified COVID-19 cases as Peru, and yet Mexico has seen about twice as many COVID-19 deaths as Peru has (chart 5, again).
- Per capita COVID-19 death numbers are roughly similar in Brazil and Peru (chart 6), despite Peru's strong lockdown measures and policy responses to the pandemic.
- It's also notable that even though Chile's per capita COVID-19 incidence numbers are on par with those in Peru, some combination of Chile's higher incomes, greater wealth, better health system, and specific policy responses mean that Chile's per capita COVID-19 deaths have been a fraction of those in Peru, Brazil, and Mexico (chart 6, again), though they have begun rising in recent days.
- Finally, however one slices and dices the COVID-19 official data, it appears that Argentina and Colombia have succeeded in keeping their absolute case numbers relatively low compared with the regional peers (charts 3 and 4, again) and have also limited their absolute and per capita deaths (charts 5 and 6, again).

Still, data compiled by the *Financial Times* that compare this year's total deaths with trends in recent years imply that many countries' COVID-19 death numbers are massively underestimated. Excess mortality—the number of deaths in the crisis above and beyond what we could have expected under “normal” conditions—is running at 223% in Lima, 196% in Manaus, 108% in Recife, and 367% in Guayaquil, all of which implies that official COVID-19 death counts in Latam are, in most cases, still underestimating actual mortality.

Chart 5

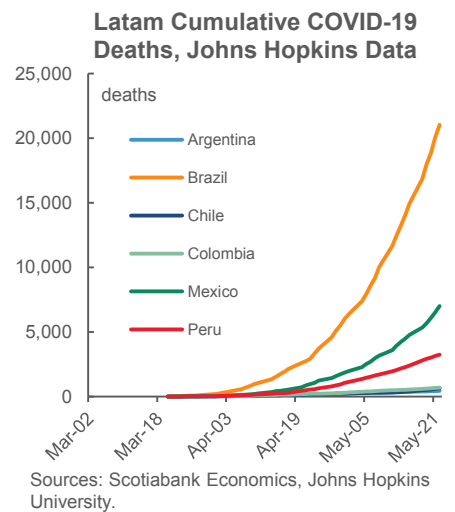
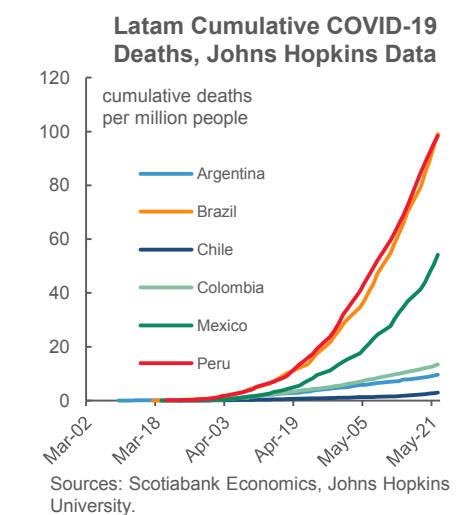


Chart 6



While we don't entirely know what accounts for the distinctions in outcomes across Latam, we do know that small differences in policies can make big differences in results when the spread of a disease follows an exponential path. Epidemiologists Britta and Nicholas Jewell have argued that if the implementation of physical distancing had been imposed two weeks earlier than was the case in the US, COVID-19 deaths so far could have been reduced by 90%; even an earlier start by one week could have cut deaths so far in the US by 60%.

WHILE FIRST WAVE CRESTS, SECOND WAVE COMING

After seven straight weeks in which the slopes of Latam's COVID-19 curves have remained more or less unchanged, a dynamic may be developing where the first wave of the pandemic has not yet subsided before second waves of COVID-19 begin hitting other parts of the world and transmit to Latam. Dr Anthony Fauci has warned that he's "almost certain it will come back. The virus is so transmissible and it's globally spread...it's inevitable that we will have a return of the virus or maybe it never went away." China, Singapore, Germany, Iran, South Korea, Lebanon, and Saudi Arabia have all re-imposed new rounds of partial control measures after discovering spikes in infections after their first waves have passed. This past week saw Chile re-impose strict quarantine measures in the Santiago region after new cases numbers rose sharply.

Even small slippages in control measures can quickly reverse hard-won gains. On May 22, Ontario saw its highest new case numbers in two weeks. The spike appears to correlate with a possible relaxation of physical distancing around Mother's Day on May 10. "We've never had a pandemic in recorded history that has not had a second wave. Now is the time to regroup and prepare," says BC's Provincial Health Officer, Dr Bonnie Henry.

Q1 SOFT PRELUDE TO THE GREAT LOCKDOWN

Data on Q1 imply that economic activity was softening in several developed and emerging markets even before the pandemic hit, and the impact of Latam's lockdowns in late-March suggests that the region's economies are indeed set to contract substantially more in Q2 since full lockdowns have covered all of April and most of May (see Forecast Tables, p. 2). Argentina, Mexico, and Peru all saw strong contractions in their real GDP in Q1, with the distinct possibility that Brazil will join them when its Q1 data print on Friday, May 29. In broad terms, Q1 has provided a weak hand-off into Q2's "great lockdown":

- Argentina's -5.4% y/y fall in Q1 marked a significant slide from expectations at the beginning of the year and points to a -7.5% y/y contraction for 2020 as a whole, much worse than the -5.6% y/y we have forecast;
- Colombia's 1.1% y/y expansion in Q1 represented a substantial disappointment compared with the 3.2% y/y growth we had forecast: while growth had been tracking 4.1% y/y in the first two months of the year, two weeks of impaired activity in March were enough to knock at least a couple percentage points off the quarter's growth rate; and
- Peru surprised with a contraction of *only* -3.4% y/y in Q1, but it avoided a decline closer to our forecast of -6.0% y/y only because of an exceptional accumulation in inventories; and
- Mexico's preliminary -1.6% y/y decline in Q1, while better than we had forecast, comes on the heels of an already weak 2019.

Chile has provided the only Q1 growth beat amongst the Latam-6, eking out a 0.4% y/y expansion in Q1 against a consensus expectation of a -0.1% y/y contraction.

As our chart of the week (see p. 1) shows, our current forecasts imply that, as a whole, the Latam-6 will not recover to end-2019 levels of economic activity by end-2021, and may not hit this benchmark until late-2022, similar to the IMF's latest *World Economic Outlook* forecasts for advanced economies. It's important to note that the IMF WEO projections were in many cases prepared some weeks in advance of their April 14 release and do not incorporate substantial developments since then that are reflected in our current Latam forecasts.

Given that the initial economic impact of only a couple weeks of lockdown in Q1 has generally been deeper than expected, and that lockdowns have already gone on longer than markets anticipated, it's likely that both consensus and our projections for 2020 will get shaved even further in the coming weeks. Our teams are taking stock of the details in the

Q1 data and monitoring early Q2 numbers with a view to updating our forecasts in the coming days in a manner consistent with the data available so far.

Despite a weak Q1 and early Q2 indications, Latam equity markets and currencies saw some solid gains last week (tables 1 and 2), with the biggest rebounds in Brazil, which has seen the sharpest sell-off this year.

THE WEEK AHEAD

Risk events this week are dominated by markers of the continued softening in the outlook for Latam. The next few days will provide indications on whether Argentina's technical default is set to develop into a full-on disorderly debt crisis or move toward an orderly debt exchange. Either way, the country's return to debt restructuring talks provides ample evidence that external financing still does not provide a sustainable alternative to fundamental structural adjustment of the real economy and the government's fiscal framework. So far, emerging bond markets have treated Argentina's travails as an idiosyncratic event rather than a portent of broader stress to come.

In central bank activity, Friday sees a previously scheduled meeting by Colombia's BanRep converted into a rate-setting discussion where we expect the central bank to deliver a further 50 bps cut in the policy rate from 3.25% to 2.75%, with a likely signal that the central bank will keep gradually cutting deeper into what is already record-low territory. Banxico delivers its inflation report on Wednesday and the minutes from its last policy meeting on Thursday.

In major data prints, Brazil's Q1 numbers arrive on Friday and will confirm whether the economy has narrowly avoided or slid into contraction ahead of the greater damage to come in Q2. Mexico's detailed national accounts for Q1 arrive on Tuesday, which will drive our forecast updates, while April employment numbers in Colombia will provide a clearer indication of the impact of a full month of lockdown.

SO MANY PHASES, NOT SO MUCH TIME

With large informal sectors and pressure to begin easing the economic impact of lockdowns, the four Pacific Alliance countries have articulated and have begun implementing phased plans to re-open activity, even in the face of still-steep COVID-19 new incidence curves.

- **Chile.** Chile had progressed toward achieving about 75% of usual economic activity by mid-May, but a new spike in COVID-19 cases has caused a retreat to about 65% of customary output as stricter quarantine measures have been re-imposed in the Santiago area (chart 7). As such, Chile provides a first look at how the region's governments may respond to second waves of contagion. Nearly 95% of the economy is set to be back in action by end-September, with the economy fully unlocked, except for the leisure sector, by the end-2020.
- **Colombia.** Essential activities were maintained throughout the lockdown and a large share of manufacturing has resumed production. Following the initiation of the lockdown in late-March, the economy was back to 67% of normal activity by end-April, 74% by mid-May, and is set to hit 77% by end-May (table 3). Thereafter, further re-opening is set to proceed more slowly, with the economy returning to 86% of usual activity by end-2020.
- **Mexico.** By April, 2020, it is estimated that the shutdown had led to the loss of about 10% of formal-sector jobs and that 80% of industries had seen direct effects from efforts to combat COVID-19. From June 1, a "traffic light" system will be implemented that will provide for a gradual re-opening on a calendar that would remain contingent on progress controlling the pandemic (chart 8).
- **Peru.** Although Peru's State of Emergency has been extended deep into June, the government's planned re-opening of economic activity in four phases is proceeding over May to August (chart 9). Major heavy industries that can sustain physical distancing are prioritized up front, with recreational activities broadly shuttered until August. The plan anticipates that 95% of the economy will again be active by September.

Table 1

Latam Equity Market Performance (local currency): May 22, 2020			
	Year-to-date	1-month	1-week
Argentina	-1.7%	40.0%	4.0%
Brazil	-28.9%	1.8%	6.0%
Chile	-20.3%	1.2%	2.2%
Colombia	-36.4%	-5.8%	0.4%
Mexico	-17.8%	3.5%	0.3%
Peru	-25.2%	7.9%	1.1%

Sources: Scotiabank Economics, Bloomberg.

Table 2

Latam FX Performance: May 22, 2020			
	Year-to-date	1-month	1-week
ARS	-12.2%	-2.9%	-0.7%
BRL	-27.3%	-1.4%	5.8%
CLP	-6.6%	6.4%	2.5%
COP	-12.9%	6.8%	3.7%
MXN	-16.7%	7.7%	5.4%
PEN	-3.4%	-1.7%	0.2%

Sources: Scotiabank Economics, Bloomberg.

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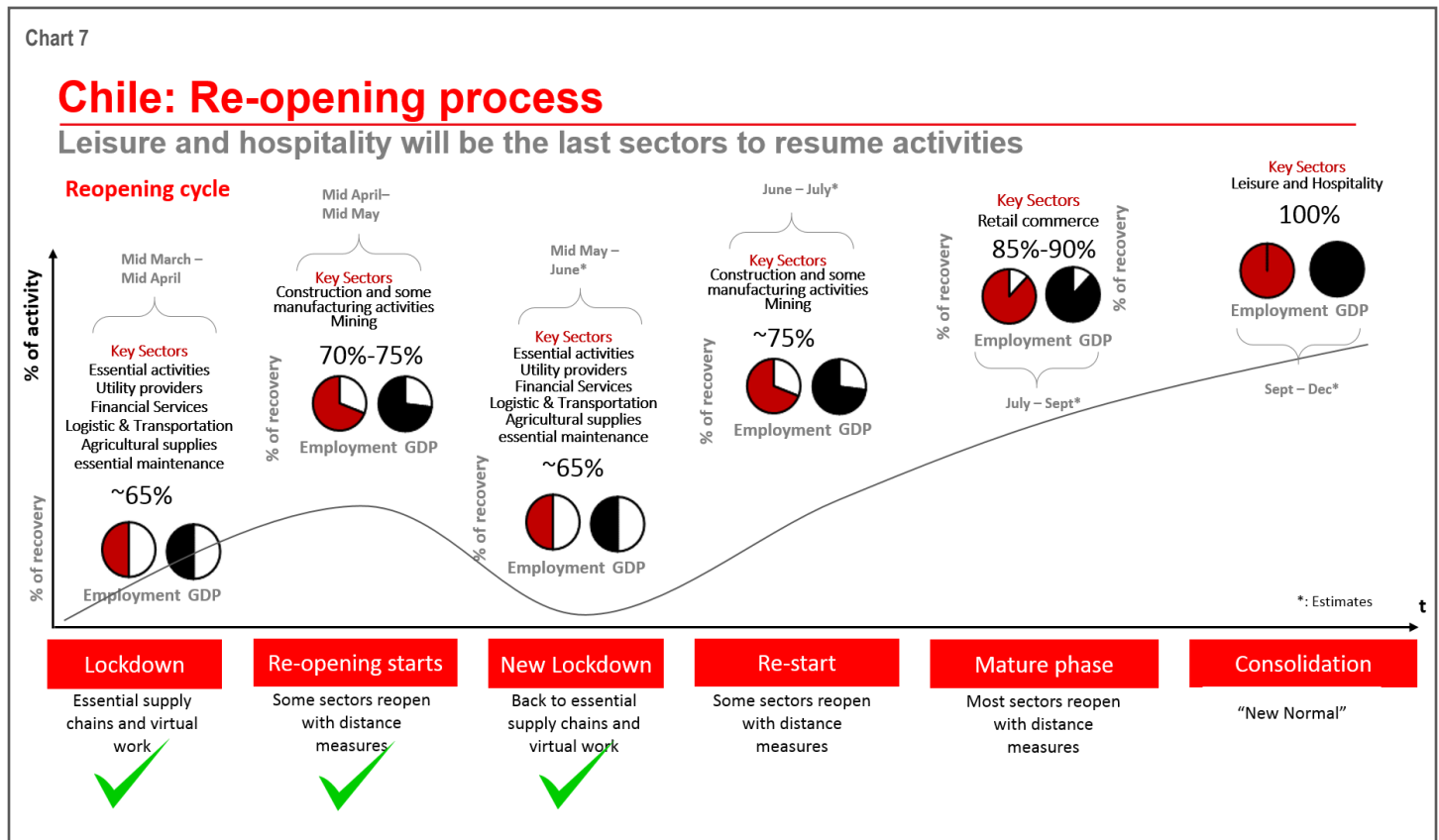


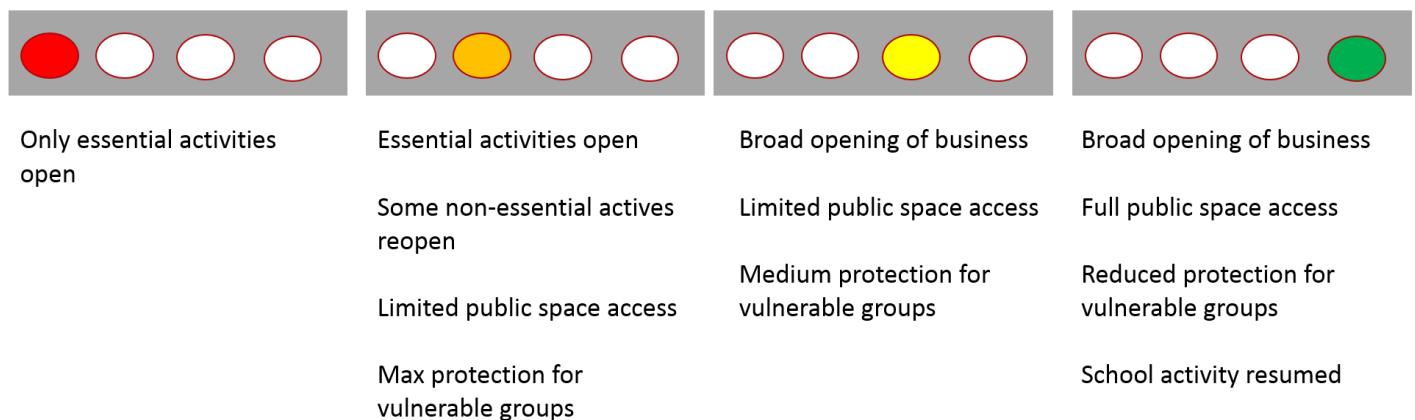
Table 3

Colombia: Percentage of activity by sectors

Sector	% of Value added	Stage 1 (33 days)	Stage 2 (15 days)	Stage 3 (15 days)	By Sept 2020	By Dec 2020	% of total employment
Agriculture	6.8%	96%	96%	96%	99%	99%	15.7%
Oil and Mining	5.5%	81%	86%	86%	86%	86%	0.9%
Manufacturing	13.1%	60%	75%	79%	85%	92%	11.3%
Utilities	3.3%	100%	100%	100%	100%	100%	0.9%
Constuction	7.2%	26%	70%	82%	93%	100%	6.8%
Buildings	3.5%	0%	50%	70%	90%	100%	-
Civil Works	2.3%	50%	100%	100%	100%	100%	-
Commerce & Transportation	19.1%	39%	49%	61%	67%	68%	33.4%
Communication	3.1%	100%	100%	100%	100%	100%	1.5%
Financial Services	5.1%	100%	100%	100%	100%	100%	1.4%
Real Estate Services	9.8%	20%	25%	25%	60%	70%	1.3%
Professional Activities	7.6%	93%	96%	96%	96%	96%	6.2%
Public Administration	16.5%	98%	98%	98%	95%	95%	11.4%
Leisure	2.7%	13%	13%	13%	37%	43%	9.3%
Total open activity		66%	74%	77%	84%	86%	

Chart 8

Mexico: Traffic light system coming June 1

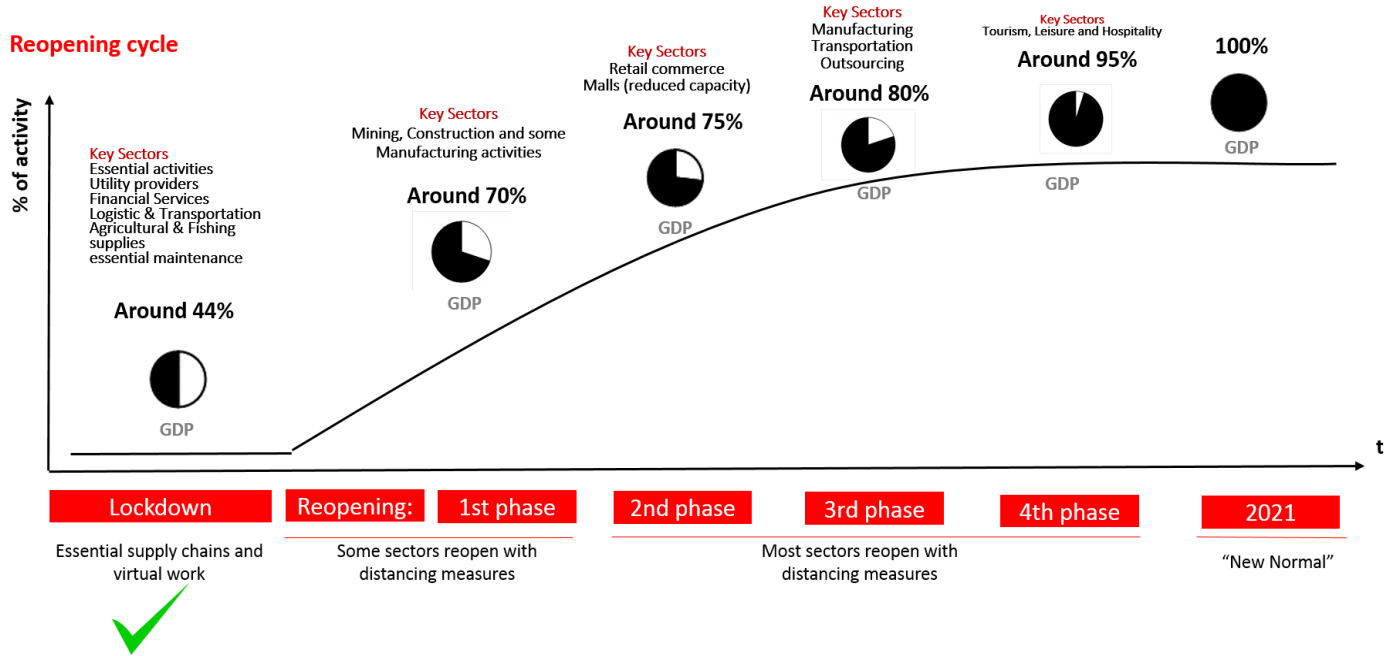


Traffic light system could be used to selectively control movement if number of cases spikes either regionally or nationally after activities resumed

Chart 9

Peru: Expected opening process

Unlocking will be in four monthly phases



Country Updates

Argentina—El Dia de la Marmota

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Argentina once again stands on the edge of a sovereign default, but reports from Buenos Aires imply that negotiations with creditors on restructuring about USD 65 bn in foreign-law bonds will go beyond the government's now-lapsed May 22 deadline—which was also the end of its grace period on deferred coupon payments—and continue up to June 2 in the hope of reaching an eventual agreement on a debt treatment. This past week, bondholders submitted counterproposals to the government's offer terms, but the authorities have not yet provided a firm response. Compromise is likely to focus on reducing the overall haircut on the principal outstanding, while the government attempts to hold firm on the grace period and coupon interest rate it has proposed in order to minimize cash-flow demands over the next few years.

It seems that the government has no intention to make good on the USD 500 mn in coupon payments whose grace period ended on May 22. The authorities appear to hope that continued dialogue will prevent bondholders from accelerating their contracts, which would push Argentina into its ninth default. Creditors have indicated that they do not intend to take immediate action. The Province of Buenos Aires has already gone into default on about USD 150 mn in deferred bond payments whose grace period ended last week. There is not yet an indication on how this will be cured.

While Argentina's version of Ground Hog Day continues on the debt front, the domestic economy is sliding deeper into its third straight year of recession. March economic activity was down -11.5% y/y on the back of the sharpest month-on-month fall since the data series began in 2000. This implies that in Q1 the Argentine economy contracted by about -5.4% y/y, far worse than the -2.3% y/y we have been anticipating. The Q1 numbers suggest that 2020 as a whole is on track to see a contraction of about -7.5% y/y or worse. Consumer confidence continued to trend downward in May, off -5.3% from a year ago, which points to further slowing in economic activity in the coming months.

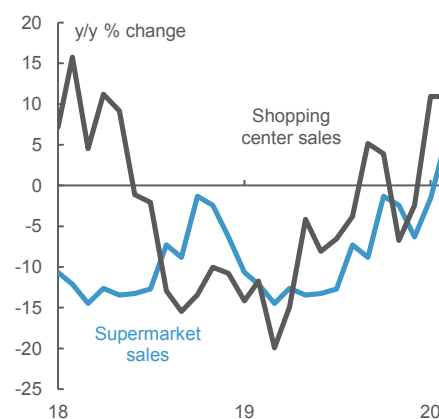
The strains on the Argentine economic framework are becoming ever starker as inflation expectations for 12 months ahead spiked this week to a record high at an average of 47.4% with a median of 50%. Headline inflation was 44.2% in April and we forecast it to remain above 45% over the rest of 2020 as further currency depreciation (see Forecast Tables, p. 2) and the BCRA's monetization of the national government's deficit sustain price pressures.

Structural rigidities also deepened this week. The authorities moved to renew for two months their restrictions on layoffs by private companies and they imposed an artificial USD 45/bbl price on oil from local producers in an attempt to support the development of the Vaca Muerta formation.

The managed quarantine is due to expire on Sunday, May 24 and is likely to be extended in some form into June. Non-essential businesses, especially those in the service sector, are likely to remain closed for several more weeks, although some curbside, take-away, and delivery options may be expanded. The lockdown began on March 20 and has been progressively extended since then.

Next week's data feature March supermarket and shopping centre sales on Tuesday, May 26, and April trade data on Wednesday, May 27. The March retail data will show the first impact of the quarantine measures that began on March 20. Sales data trended upward at the beginning of 2020, and will likely exhibit the beginning of a sharp divergence in

Argentina: Essential Retail Sales



Sources: Scotiabank Economics, Bloomberg.

March as supermarkets remained open while shopping centres were generally closed in the latter part of the month. On the external trade front, monthly surpluses progressively mounted through the course of 2018 and 2019's recession, largely because Argentine demand collapsed more quickly than exports. This trend began to reverse at the beginning of 2020, partially owing to seasonal factors. Widespread reports that agricultural exporters are holding back product in anticipation of further declines in the value of the ARS imply that April could see a pronounced drop in the trade surplus.

Brazil—Inflation Surprise Ahead

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The information we have so far on Q2-2020 points toward a divergence between output and demand which could lead to a trade deficit, despite BRL weakness, and is likely to put upward pressure on inflation. We won't have a full and accurate picture of the Brazilian economy in Q2 until the IBGE releases the quarter's aggregate demand and supply breakdown on [September 1](#), but in the meantime, existing data are suggestive:

- **On one hand, the supply-side data have seen strong declines.** In April, the manufacturing PMI hit 36 and the services PMI fell to 26, both numbers deep in contractionary territory. Industrial production dropped by -3.8% y/y in March; but
- **On the other hand, demand-side data have held up better.** Retail sales grew by 4.7% y/y in March and fell by only -1.2% y/y in April.

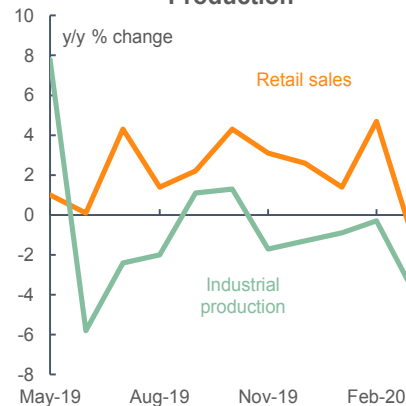
This divergence is not unique and is something we have seen at previous times since the global financial crisis in 2008–09, but the extent to which data are currently moving in different directions is unexpected.

The second surprise we've received lies in the Brazilian trade surplus, which has been remarkably strong despite the drop in commodity prices and the weakness in Brazilian supply-side indicators relative to the demand side. The BRL's world-beating decline of around -27% YTD, making it the weakest of the major global currencies this year by a 7 ppt margin, explains part of the resilience in the country's trade surplus. However, a very weak BRL will also stoke price pressures and cause inflation to rise more steeply than currently anticipated by consensus. Additionally, a weak supply side to the economy in the face of a more resilient demand side will tend to push inflation up even more and could turn the trade surplus into a deficit.

A combination of additional factors also underpin our forecast that inflation will pick up later this year. Although Brazil's deteriorating employment picture would normally be expected to dampen price gains, this effect is likely to be offset by the headwinds to investment generated by the COVID-19 pandemic and political uncertainty. We believe weak investment growth will prevent what would otherwise be a larger output gap from softening inflationary impulses. Finally, along with the consensus, we expect a further deterioration in public finances this year; the rapidly worsening political environment is likely to block any possible effort to address fiscal slide.

The Bolsonaro government continues to prioritize growth over health concerns in the context of the COVID-19 pandemic. Nevertheless, the rapid spike in new COVID-19 cases we are seeing will provide an important headwind to efforts to reactivate growth. Moreover, mobility data imply that Brazilians are responding by sheltering in place to a greater extent than has been requested by the national authorities, which will also complicate the Bolsonaro administration's efforts to jump-start economic activity. As a result, despite our expectation of rising inflation later this year, we still expect the BCB's Copom to deliver two more cuts to the Selic, one more than the minutes from the last meeting implied under the Committee's base case.

Brazil: Retail Sales vs Industrial Production



Source: Scotiabank Economics, Bloomberg.

In terms of this past week's data, April's soft tax collection numbers supported the impression of a strong deterioration in business activity. Similarly the weekly trade balance data, while always volatile, fell by half relative to the previous week, which may point to a looming decline in the trade surplus, as anticipated above.

For next week, the data calendar is full of tier-1 indicators. We have IPCA-15, for which we expect a further decline from the 2.92% y/y print last month to 2.19% y/y; unemployment, where we anticipate a further rise to 12.3%; and Q1 GDP growth which we expect to print at 0.2% y/y, but consensus projects will tip into a decline. We are also scheduled to get lending data, current account numbers, FDI flows, and the budget balance.

Chile—GDP Expands 0.4% y/y in Q1-2020

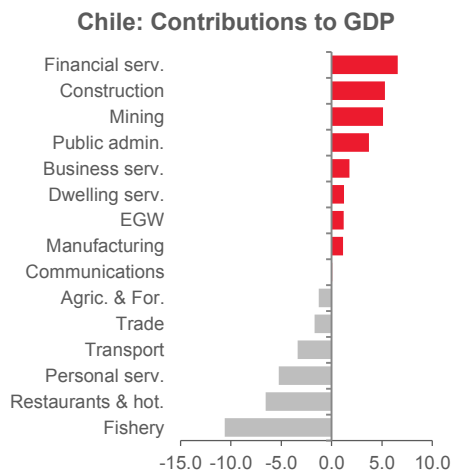
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Amidst a spike in new cases of COVID-19 in Chile, on Sunday, May 17, President Piñera announced new social measures to confront the COVID-19 crisis. At the end of the first weekend of the largest government-declared quarantine to contain the outbreak, the President highlighted the delivery of 2.5 mn boxes of food and other items to the most vulnerable families in the country and to middle-class families in need. In addition, given difficulties in accessing bank loans, Piñera also reported that "a state guarantee fund and a network of non-bank financial institutions are being structured" in order to support SMEs more quickly. As for the problems of some families in caring for and isolating those infected with COVID-19, the government will expand the Network of Health Residences nationwide to welcome people in need, with priority given to older adults. Regarding the State Guarantee Fund, its implementation will authorize non-banking institutions to give credit, and the Ministry of Economy said that this initiative aims to provide more liquidity to firms, in a context where banks have been slow to provide it.

On May 18, the BCCh, the central bank, released national accounts data for Q1-2020 which showed a 0.4% y/y gain in real GDP, better than the -0.1% y/y decline expected in the Bloomberg survey. In seasonally adjusted terms, Q1-2020 registered a 3.0% q/q gain, reflecting the pick-up in activity, particularly in services, following the social unrest in October 2019. By sector, financial services, construction, and mining showed the greatest expansions. Nevertheless, despite the surprise growth in Q1, the data were partially influenced by measures decreed by the health authorities and adopted voluntarily by the population to contain the COVID-19 pandemic from mid-March onward, which significantly impacted education, trade activities, transportation, and restaurants and hotels, among others.

Next week, the total lockdown in the Santiago Metropolitan Area will continue and will last at least until May 29. The confinement measures have taken a toll on activity, and last week we downgraded our growth projection for 2020 from -2.1% to -4.5% y/y. Regarding inflation, the new guidelines released by the National Bureau of Statistics (NBS) note that for some products, such as tourist packages and air transport services, they are initiating a new method to impute prices. For these items, the NBS will use the average of the monthly inflation rate of the three last years. With this new information, we have updated our monthly inflation for May to the range 0.1–0.2% m/m. We continue to estimate an inflation rate of 2.8% y/y for the year-end, as there would be an offset in the prices of these products in the coming months.



Source: Scotiabank Economics.

Colombia—The Toll of the Lockdown Becomes Clearer

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The Q1-2020 GDP results showed that the lockdown took a huge toll on Colombian economic activity. In fact, the ISE (i.e., the monthly GDP proxy index) shows that during January and February the economy grew at a pace of 4.1% y/y, while March—with one week in voluntary lockdown and another week in a total lockdown—pushed the change in the GDP index to -4.9% y/y. Therefore, Q2-2020 will be a disaster in terms of GDP, especially given that in April almost 40% of the economy was shut down.

As we discussed in previous *Latam Weekly* reports, 47% of the urban labor force is informal in Colombia and this creates particular pressure to re-open economic activity. Sectors that were shuttered in April, such as construction, commerce, and manufacturing-related industries, have some of the highest shares of informal labour. Therefore, there is enormous pressure to re-open these sectors to avoid further social unrest. Government plans to re-open these and other sectors have been in place and active now for over a month and leading indicators, such as gasoline and energy demand, imply that a gradual recovery of activity is underway.

In our base case scenario, where rebuilding economic activity will coexist with the novel coronavirus, this gradual re-opening will continue. In fact, President Duque has said that from June 1 more activities can re-start. Specifically, hairdressers and domestic service will revive at that point. In Medellín, Colombia's second most important city, even the malls will be re-opened, of course with limited capacity, and more informal activity will be allowed. Therefore, we expect that by the third quarter about 76% of the economy will be open, and by the last quarter of 2020, 87% of the economy will be fully operating. Of course, the main assumption underpinning these projections is that government will not shut down the economy again.

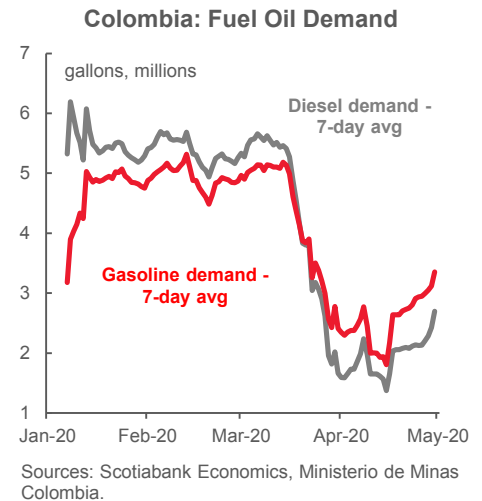
Finally, next year, the “new normal” will consolidate, and economic activity will find a brand new way to function while ensuring the virus is reasonably controlled. Therefore, we think that next year the Colombian economy will rebound partially to 3.6%, which is in line with a gradual recovery, instead of an immediate, or a “V-shaped” recovery.

Next week, DANE will release the unemployment rate for April; we expect a further deterioration in the labor market, mainly due to job destruction. However, since the lockdown reduces the possibility of looking for a new job, the labour force will continue to limit the deterioration of the unemployment rate. On the other hand, BanRep may cut rates to 2.75% at the June meeting since Q1 GDP results were below the central bank's estimates.

Mexico—Big Changes in the Energy Market

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The federal government officially published the “Policy for Reliability, Security, Quality and Continuity in the National Electric System” which alters the regulatory framework and will have significant consequences for the energy market. Arguing that the impact of COVID-19 warrants the strengthening of the reliability of the electric system, the “Policy” introduces many new bureaucratic requirements that will increase the discretionary power of the Ministry of Energy to control not only approval of new private projects, especially from renewable energy sources, but even the direct control of them. One of the key and most controversial decisions is to give priority to the “Security of Dispatch” over economic efficiency, which is



where the new clean energy projects would have a clear advantage over the State's Federal Electricity Commission (CFE). In addition, all new clean energy projects that were about to start the testing process will be put on hold indefinitely. It is worth noting that due process for this act of authority was not fulfilled, since the Ministry of Energy should first obtain the "Regulatory Impact Evaluation" from the National Commission of Regulatory Improvement, but based on the argument of the COVID-19 emergency—and after the Commissioner's resignation—the government published it anyway.

There were several reactions, such as the one from the Coordinating Business Board that called for the revocation of the "Policy" saying it is an attack on the Rule of Law, on judicial certainty and on free market competition in the energy sector—and that it affects the rights of renewable generators, consumers and all sector participants. They also mentioned that USD 30 bn worth of investments in 18 states are affected. There were also letters from the Canadian Embassy and from the European Union representation expressing deep concern regarding the "Policy" and its impact on investments. Despite all that, the President backed the action, arguing that CFE was being treated unfairly and that government was just restoring order. However, following legal action taken by some of the affected companies, 23 renewable energy firms were granted a "provisional suspension" of the "Policy", and will resume their operational testing. In any case, the intention of the government to prevent private participation in the energy sector was again evidenced with potentially harmful results for the investment environment in the country.

The week ahead will be very full of economic information. Special attention will be paid to Banco de Mexico's quarterly report, where it will publish estimates for macroeconomic variables and its view on the economic impact produced by the COVID-19 disruption. The minutes of Banxico's last monetary policy decision will also be released. We will also have detailed figures of Q1 GDP, the trade balance, the unemployment rate, financial activity, and public finance figures, all for the month of April, as well as balance of payments figures for Q1, and the global economic activity indicator for the month of March.

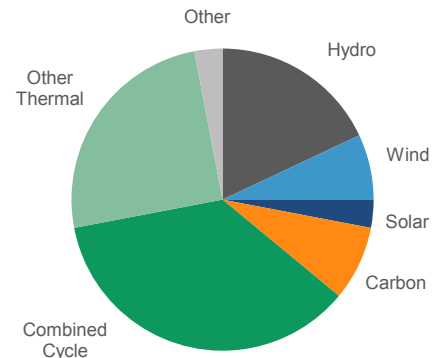
Peru—The Transition to a Post-COVID Society is Proving Complicated

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The process of unlocking Peru's economy continues, albeit very slowly. On May 22, President Vizcarra extended the State of Emergency, in a mildly lighter version, for another five weeks until the end of June. Mandatory home isolation will continue, as will the curfew, which will now start at 9pm, rather than 8pm. E-commerce and delivery will be allowed on a wider scale, including clothing, appliances, books, school supplies, etc. Certain activities, such as hair-dressing and plumbing, will be allowed. Soccer sports and non-contact professional sports will be enabled, albeit in empty venues.

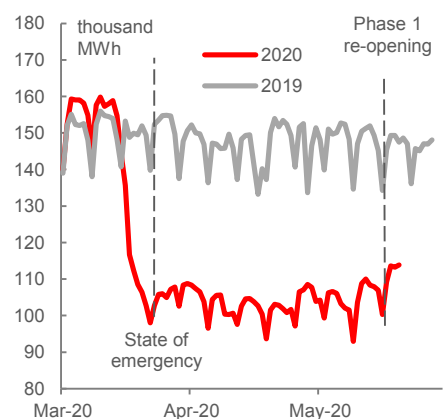
The extension of the State of Emergency will not alter the four-phased schedule to reopen the economy. In essence, and unlike the lockdown, the extension will have a greater impact on demand than on supply. There was some expectation that the State of Emergency would be extended until June 11, but the extension to June 30 was a surprise. The decision comes as the tide of opinion is turning against the home isolation measures, and in favor of unlocking quicker. Thus,

Mexico: Installed Capacity Share by Type of Technology 2018 (MW)



Sources: Scotiabank Economics, PRODESEN 2019-2033, SENER, GBM.

Peru: Electricity Demand (Mar–Apr)



Sources: Scotiabank Economics, COES.

Vizcarra risks generating political fallout, and perhaps social unrest. With more activities opening, the government will have even greater difficulty in ensuring compliance.

Meanwhile, we continue to receive data that reflect the impact of the State of Emergency on GDP growth. The BCRP followed up on its May 21 release of headline GDP growth in Q1-2020 of -3.4% y/y with a breakdown by demand components on May 22. Most elements were close to expectations, but consumption contracted by -1.7% y/y, which was a large fall considering the lockdown began late in the quarter on March 16. Domestic demand declined only by -1.2% y/y, but a large build in inventories explained the relatively mild pullback. In fact, inventory accumulation accounted for much of the difference between Q1's -3.4% y/y contraction and our original forecast of -6% y/y. This isn't sustainable and points to more pain ahead in Q2. In seasonally adjusted terms, the BCRP noted that annualized GDP growth in Q1 was -19.9% q/q. In this context, it was, perhaps, not surprising to see cement consumption plummet -99% y/y in April, given the lockdown on production, but it is still an impressive number.

Although over 1,100 companies have received approval to come back on stream and electricity demand has improved slowly since the May 11 unlocking began. Electricity demand which, between March 20 and May 10, had declined 30% y/y and averaged 103,000 MWh per day, has been down about 21% y/y since May 18, and has averaged 112,000 MWh per day—an improvement, but still low. Restaurants have begun to resume deliveries and take-out service. More importantly, mining operations and investment are resuming. Agroindustry data have also been encouraging: agricultural exports were up 18% y/y in March.

Poverty in 2019 remained stable at 20.2% of the population, according to official data released this week. These data are, of course, backward-looking, but they do provide a base to gauge how the lockdown will affect poverty levels going forward. Much more relevant, employment in Lima fell 25% in the February to April period, a loss of about 1.2 million jobs. The government hopes that 1.4 million jobs will be recovered in Phase 1 of the unlocking process. This seems ambitious. The National Statistics Institute presents data over a three-month moving average; however, since employment had fallen only 0.1% to March, almost all of the 25% decline would have taken place in April. The April unemployment rate increased to 9.0%, a sharp rise from 7.6% in March, but in line with our expectation of 12% by year end.

Finance Minister María Alva stated this week that the total package of measures to contain COVID-19 and support the economy now amounts to 14.4% of GDP in authorized funds, both monetary and fiscal, from both public and private sources. Not all resources made available will be used completely.

Political tension has increased with Congress. Laws and initiatives have been introduced that are all over the map, and appear whimsical and poorly designed, frequently putting the government on the defensive. Among the more notorious are initiatives that put at risk public-private toll-road contracts, the pension fund system, public transportation formalization, and the health system. Congress is also considering price controls. There is even a bill to instate mandatory military service. Given the lack of any threat of war, perhaps this is meant to fight COVID-19 by “military force”.

Key Economic Charts

Chart 1

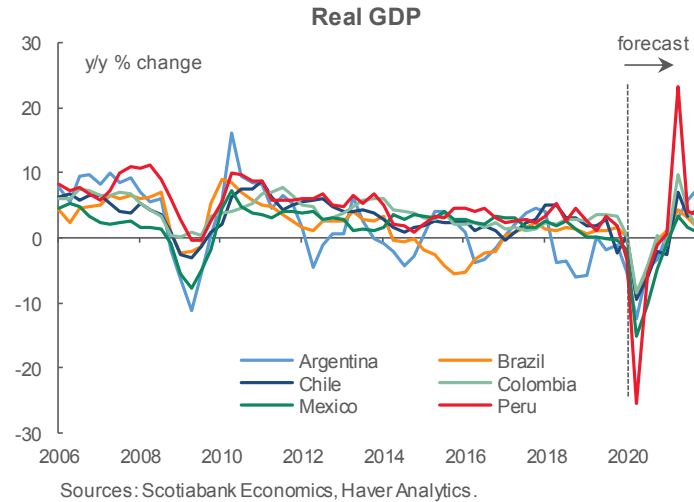


Chart 2

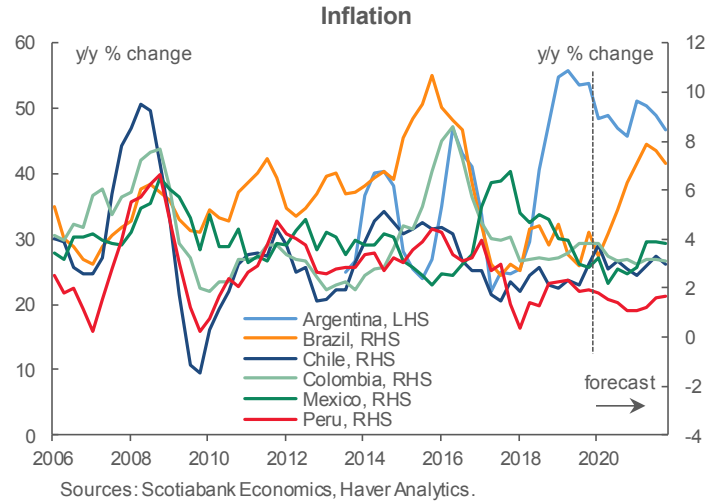


Chart 3

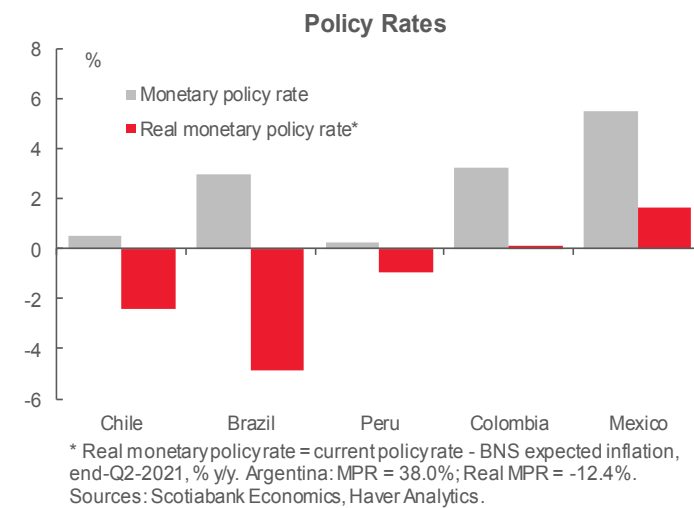


Chart 4

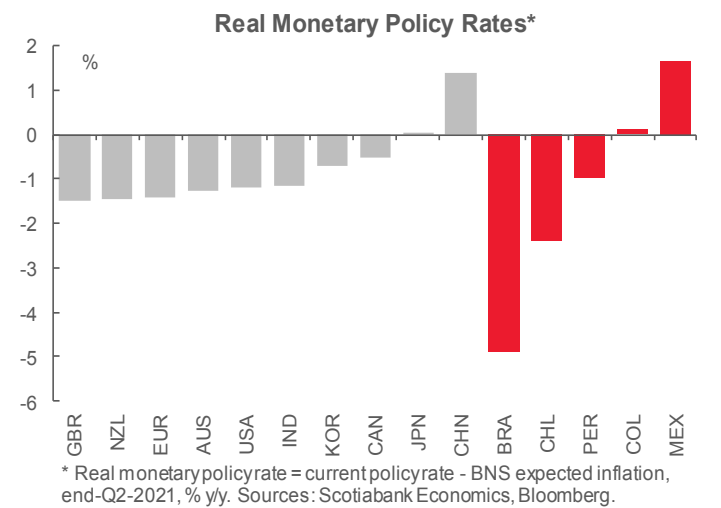


Chart 5

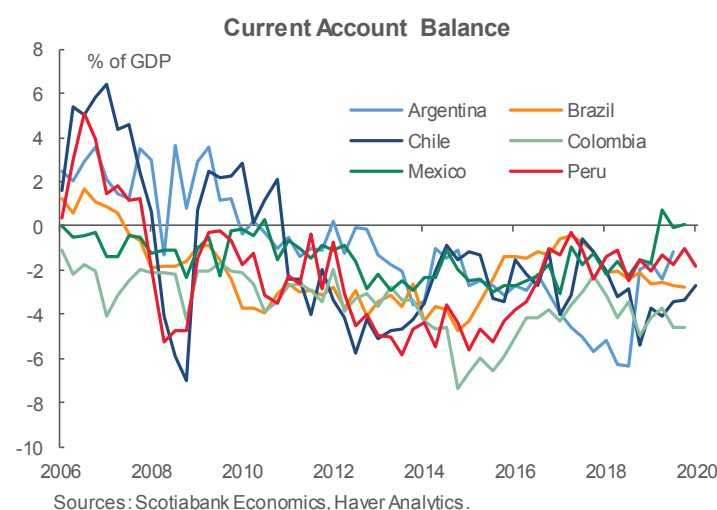
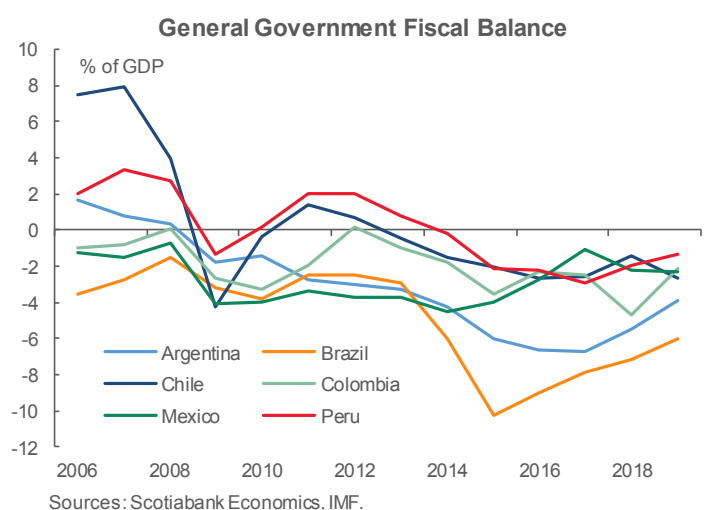


Chart 6



Key Economic Charts

Chart 7

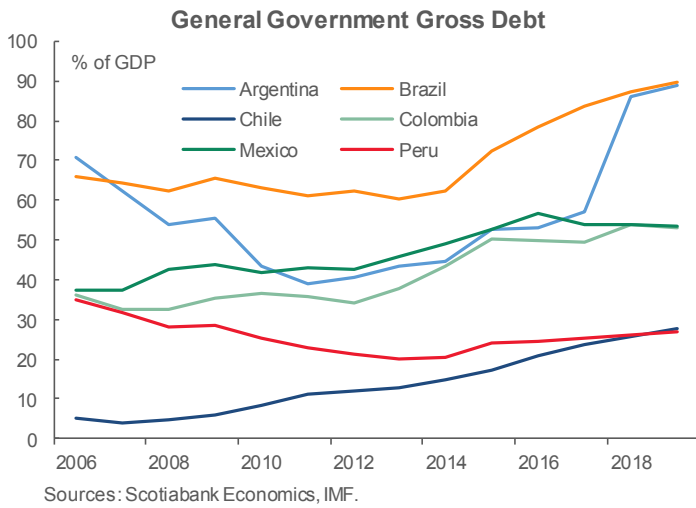
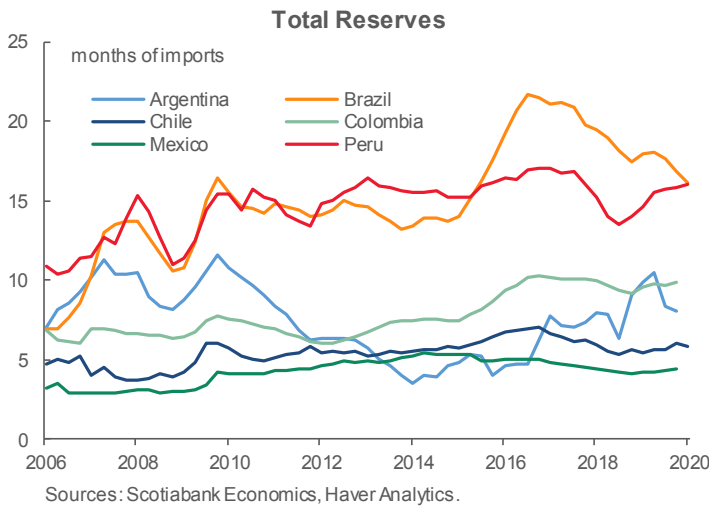


Chart 8

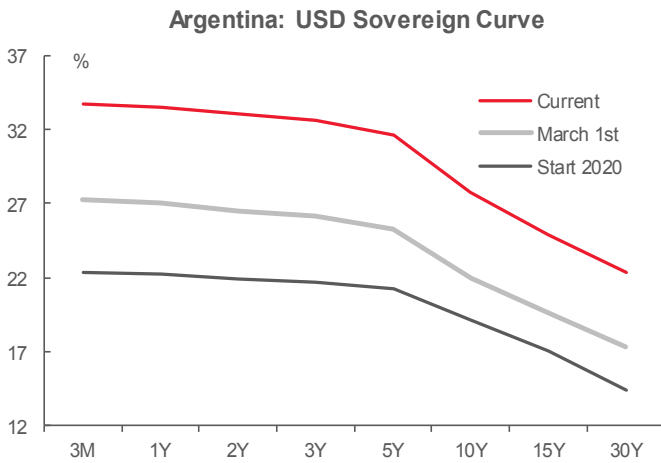


Chart 9



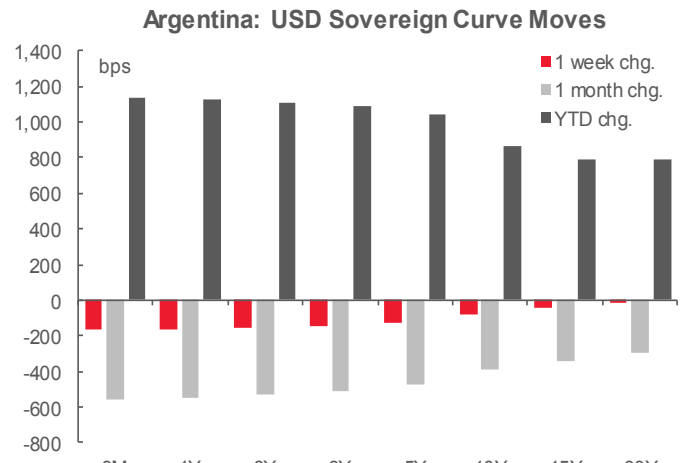
Key Market Charts

Chart 1



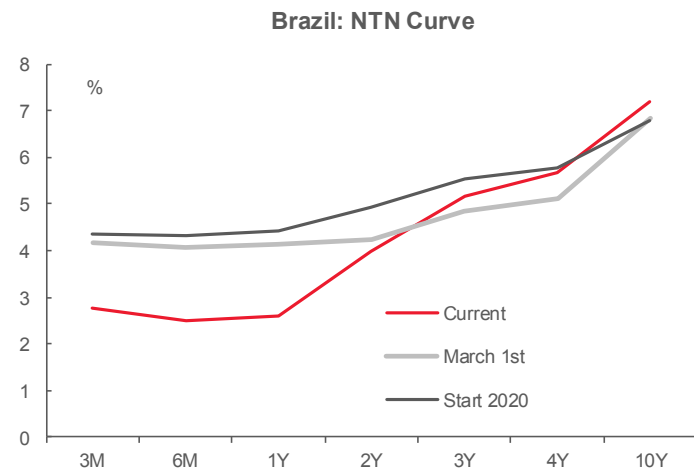
Sources: Scotiabank Economics, Bloomberg.

Chart 2



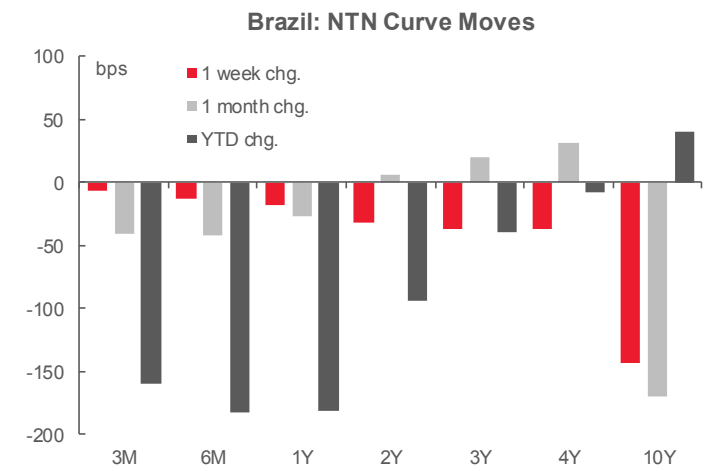
Sources: Scotiabank Economics, Bloomberg.

Chart 3



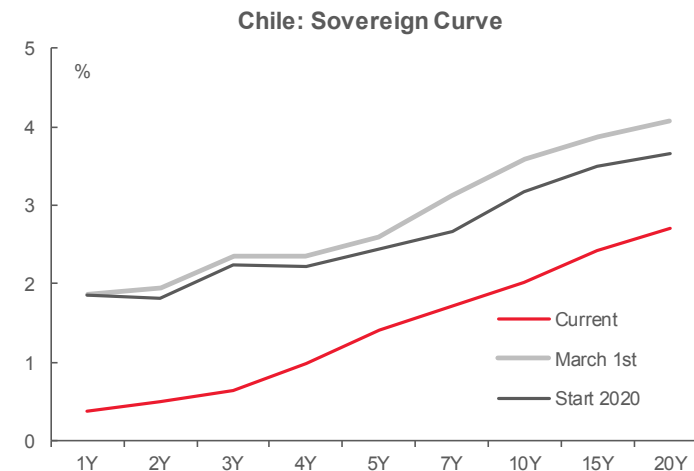
Sources: Scotiabank Economics, Bloomberg.

Chart 4



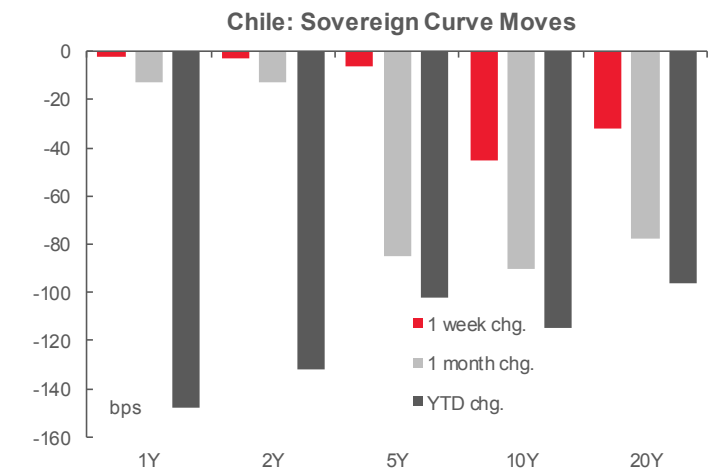
Sources: Scotiabank Economics, Bloomberg.

Chart 5



Sources: Scotiabank Economics, Bloomberg.

Chart 6



Sources: Scotiabank Economics, Bloomberg.

Key Market Charts

Chart 7

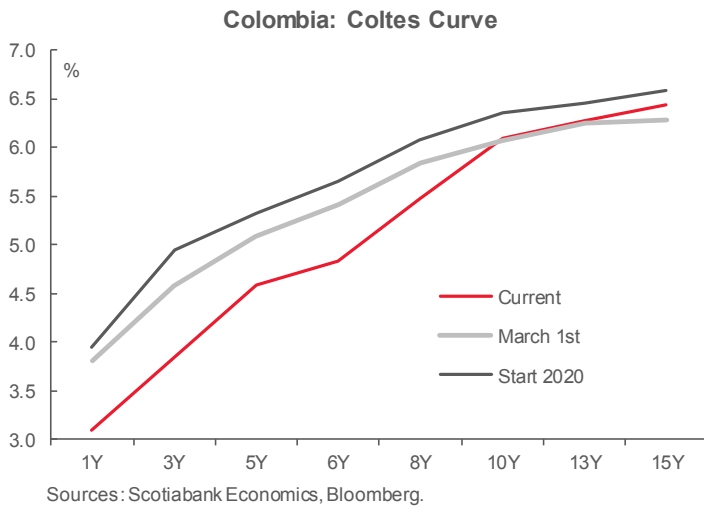


Chart 8

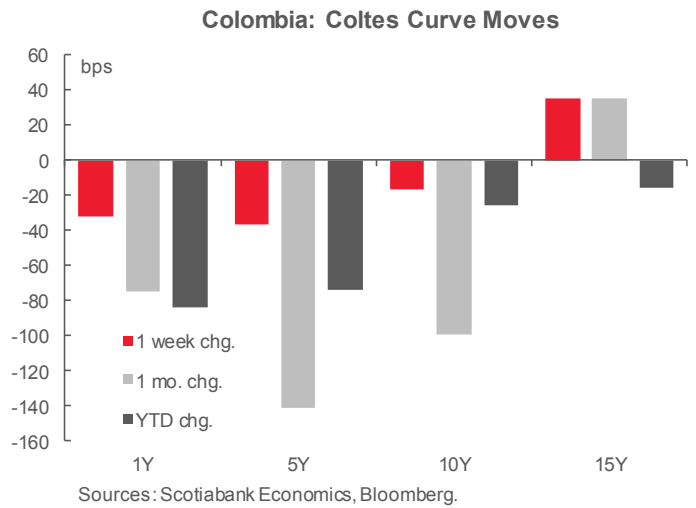


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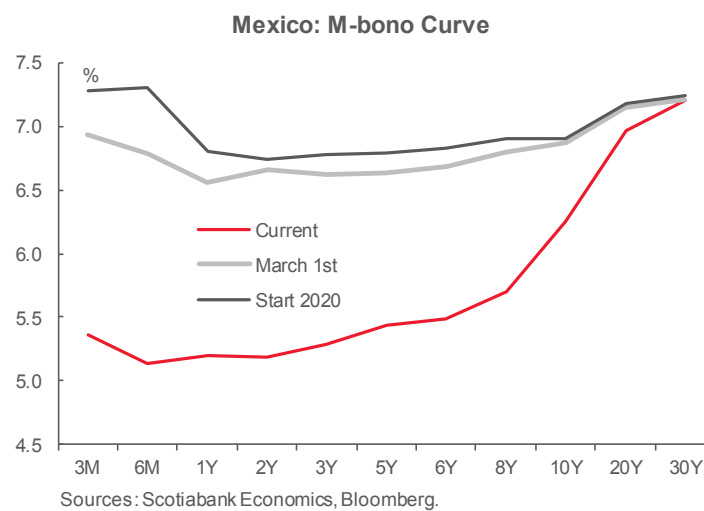


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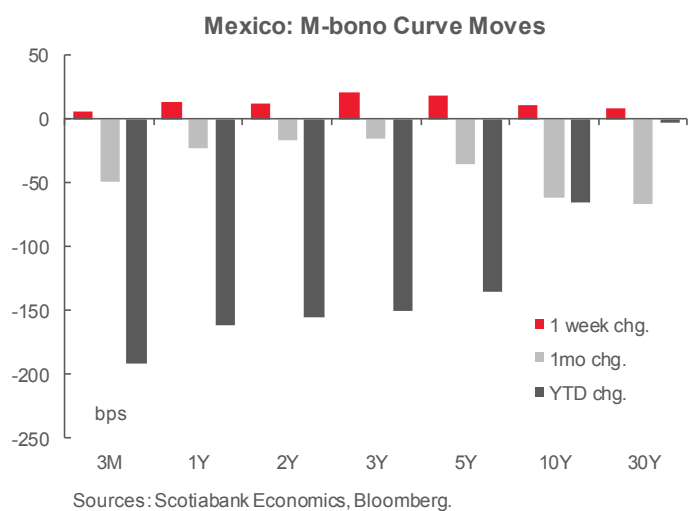


Chart 11

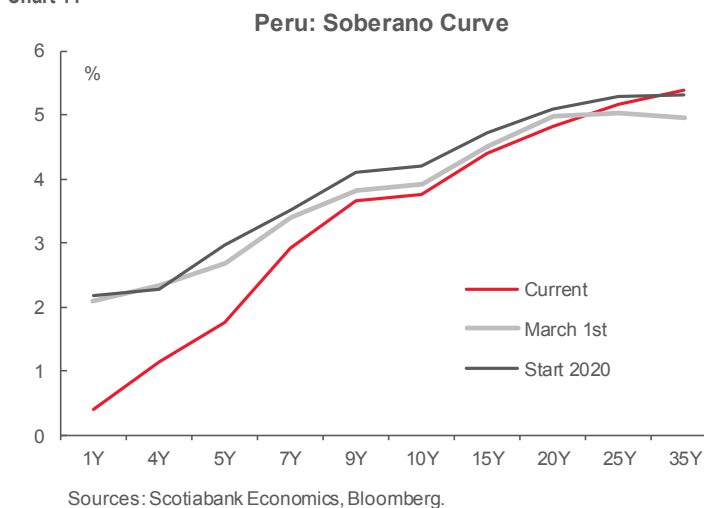
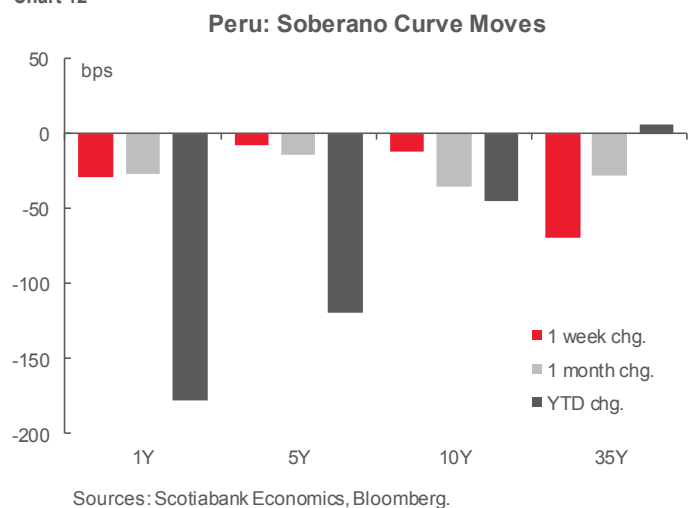


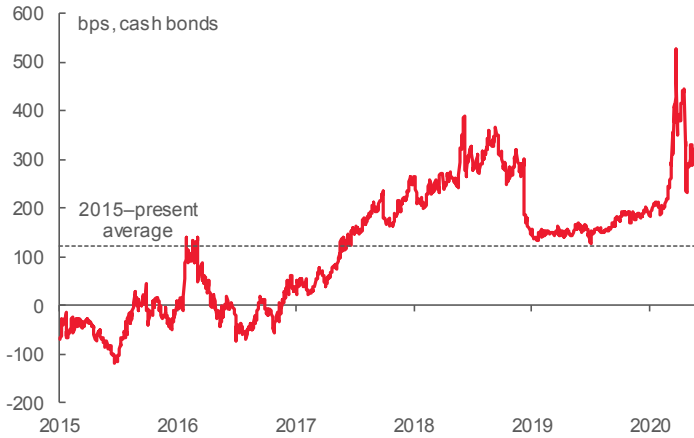
Chart 12



Key Market Charts

Chart 13

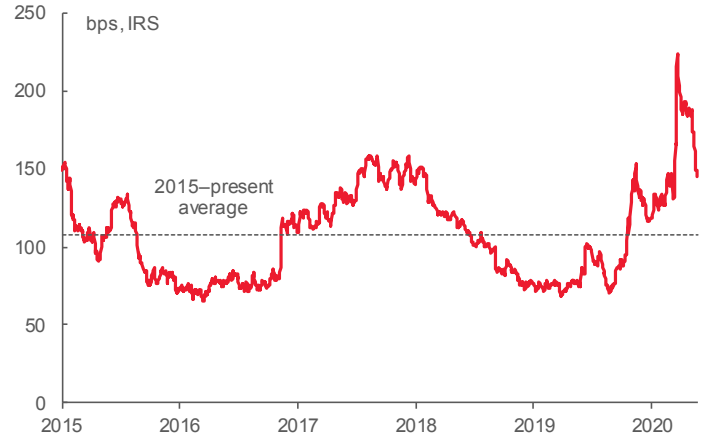
Brazil 2s10s Slope



Sources: Scotiabank Economics., Bloomberg.

Chart 14

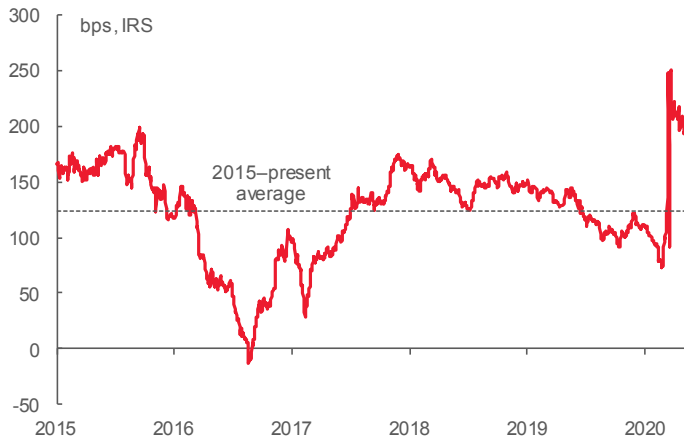
Chile 2s10s Slope



Sources: Scotiabank Economics., Bloomberg.

Chart 15

Colombia 2s10s Slope



Sources: Scotiabank Economics., Bloomberg.

Chart 16

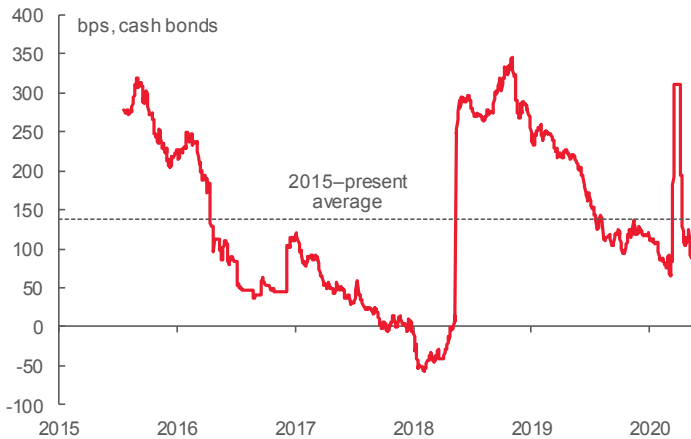
Mexican Swaps 2s10s Slope



Sources: Scotiabank Economics., Bloomberg.

Chart 17

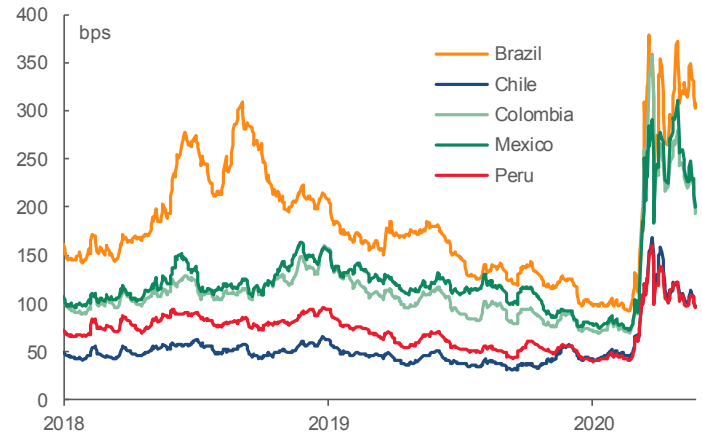
Peru 2s10s Slope



Sources: Scotiabank Economics., Bloomberg.

Chart 18

LatAm 5-yr CDS



Sources: Scotiabank Economics., Bloomberg.

Key Market Charts

Chart 19

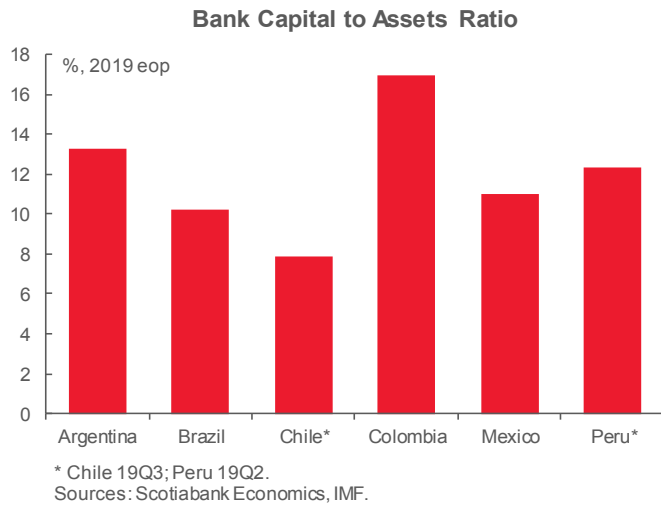


Chart 20

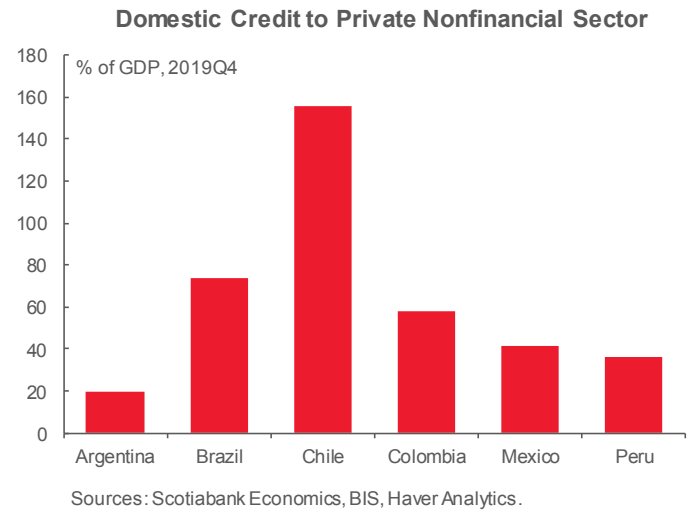


Chart 21

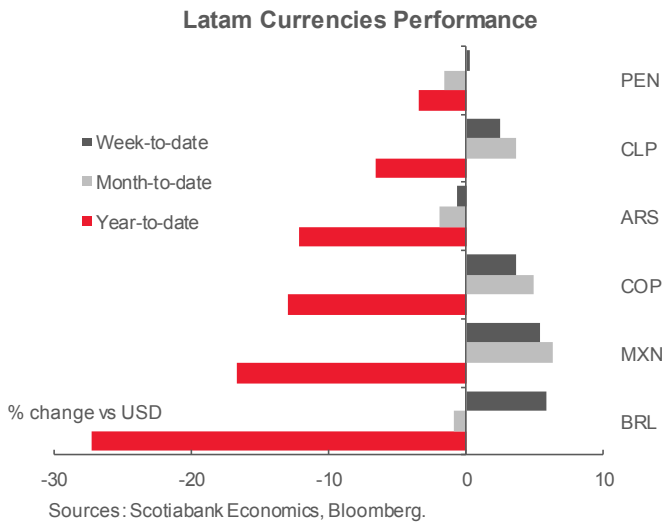


Chart 22

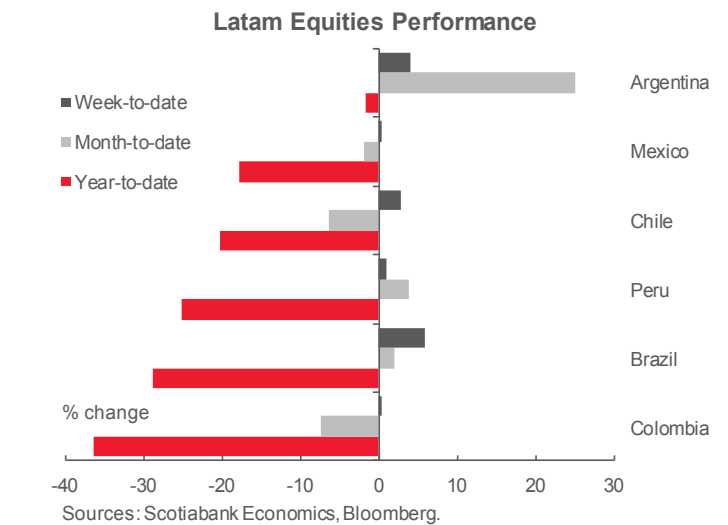


Chart 23

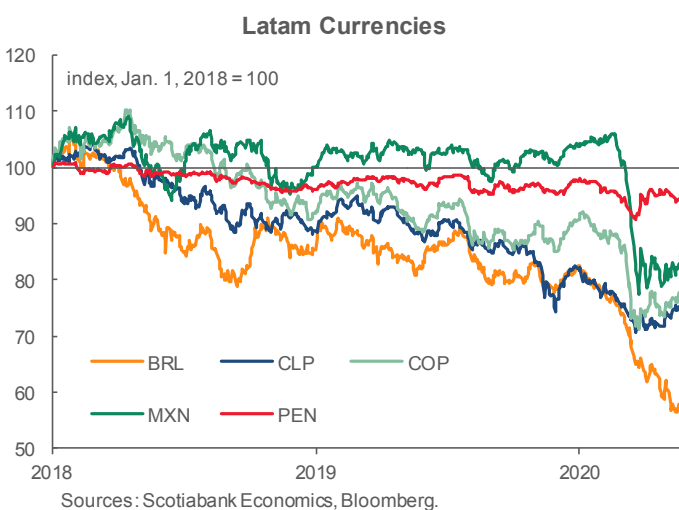
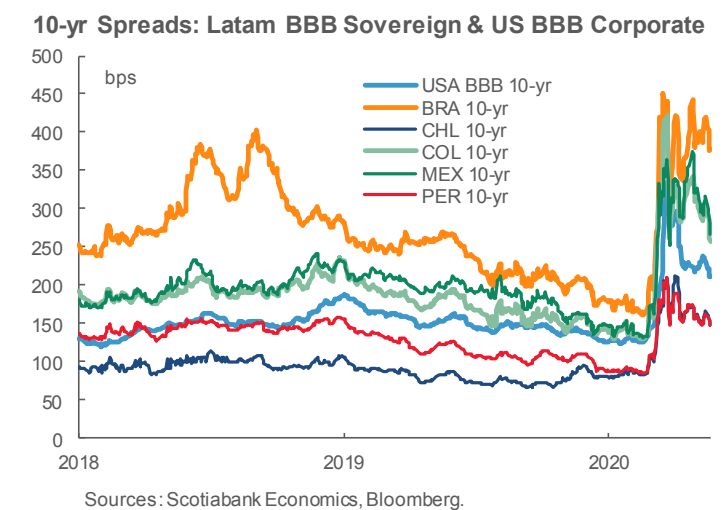


Chart 24



Market Events & Indicators for May 23–29

ARGENTINA

<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
05-26	15:00	Shop Center Sales (y/y)	Mar	--	--	10.9	March is likely to see a divergence between supermarket and shopping-centre sales as the lockdown was imposed on March 20.
05-26	15:00	Supermarket Sales (y/y)	Mar	--	--	5.3	
05-27	15:00	Trade Balance (USD mn)	Apr	--	--	1145	April's trade surplus is likely to contract as ag. producers hold back product to benefit from expected ARS depreciation.
05-27	15:00	Imports Total (USD mn)	Apr	--	--	3175	
05-27	15:00	Exports Total (USD mn)	Apr	--	--	4320	
05-29	11:00	Bloomberg May Argentina Economic Survey					
05-29	15:00	Wages (m/m)	Mar	--	--	3.9	

BRAZIL

<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
05-25	7:00	FGV CPI IPC-S	22-May	--	-0.57	-0.5	
05-25	7:00	FGV Consumer Confidence	May	--	--	58.2	
05-25	7:25	Central Bank Weekly Economists Survey					
05-25	14:00	Trade Balance Weekly (USD mn)	24-May	--	--	1290	
05-26	4:00	FIPE CPI - Weekly	23-May	--	--	-0.5	
05-26	7:00	FGV Construction Costs (m/m)	May	--	0.25	0.2	
05-26	8:00	IBGE Inflation IPCA-15 (y/y)	May	--	2.12	2.9	Further declines in IPCA inflation are in the cards, alongside a very soft, but marginally positive Q1 GDP print.
05-26	8:00	IBGE Inflation IPCA-15 (m/m)	May	--	-0.44	0.0	
05-26	8:30	Foreign Direct Investment (USD mn)	Apr	--	1500	7621	
05-26	8:30	Current Account Balance (USD mn)	Apr	--	2850	868	
05-27		Federal Debt Total (BRL bn)	Apr	--	--	4215	
05-28	7:00	FGV Inflation IGPM (m/m)	May	--	0.1	0.8	
05-28	7:00	FGV Inflation IGPM (y/y)	May	--	6.3	6.7	
05-28	8:00	National Unemployment Rate	Apr	--	13.2	12.2	
05-28	8:30	Total Outstanding Loans	Apr	--	--	3587	
05-28	8:30	Outstanding Loans (m/m) (BRL bn)	Apr	--	--	2.9	
05-28	8:30	Personal Loan Default Rate	Apr	--	--	5.2	
05-28		Central Govt Budget Balance (BRL bn)	Apr	--	-93.5	-21.2	
05-29	8:00	GDP 4Qtrs Accumulated	1Q	--	0.9	1.1	
05-29	8:00	GDP (q/q)	1Q	--	-1.6	0.5	
05-29	8:00	PPI Manufacturing (m/m)	Apr	--	--	2.3	
05-29	8:00	PPI Manufacturing (y/y)	Apr	--	--	7.1	
05-29	8:00	GDP (y/y)	1Q	--	-0.3	1.7	
05-29	8:30	Net Debt % GDP	Apr	--	52.6	51.7	
05-29	8:30	Nominal Budget Balance (BRL bn)	Apr	--	-112.5	-79.7	
05-29	8:30	Primary Budget Balance (BRL bn)	Apr	--	-105.2	-23.7	
05-29	10:00	Bloomberg May Brazil Economic Survey					

CHILE

<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
05-26	8:30	Central Bank Traders Survey					
05-29	9:00	Retail Sales (y/y)	Apr	--	-19	-14.9	
05-29	9:00	Unemployment Rate	Apr	--	8.9	8.2	
05-29	9:00	Commercial Activity (y/y)	Apr	--	--	-9.0	
05-29	9:00	Industrial Production (y/y)	Apr	--	--	0.8	
05-29	9:00	Copper Production Total (tonnes)	Apr	--	--	498083	
05-29	9:00	Manufacturing Production (y/y)	Apr	--	--	0.6	
05-29	10:30	Bloomberg May Chile Economic Survey					

Forecasts at time of publication.

Sources: Scotiabank Economics, Bloomberg.

Market Events & Indicators for May 23–29

COLOMBIA

<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
05-27		Industrial Confidence	Apr	--	--	-35.0	
05-27		Retail Confidence	Apr	--	--	-30.8	
05-29	10:45	Bloomberg May Colombia Economic Survey					
05-29	11:00	National Unemployment Rate	Apr	14.3	--	12.6	The labor market will deteriorate further since, in April, around 34% of the economy was in shutdown. The unemployment rate would continue underestimating the deterioration because the impossibility of look for a new job reduces the labor force statistic.
05-29	11:00	Urban Unemployment Rate	Apr	--	14.8	13.4	
05-29		Overnight Lending Rate	29-May	2.75	2.75	3.25	Banrep would continue cutting rate at a moderate pace since the economy has deteriorated more than expected. Liquidity, for now, is the main strategy of the central bank.

MEXICO

<u>Date</u>	<u>Time</u>	<u>Event</u>	<u>Period</u>	<u>BNS</u>	<u>Consensus</u>	<u>Latest</u>	<u>BNS Comments</u>
05-25	7:00	Trade Balance (USD mn)	Apr	1135	1800	3398	
05-25	10:00	Current Account Balance (USD mn)	1Q	-6070	-200	2486	
05-26	7:00	Economic Activity IGAE (y/y)	Mar	-3.5	-3.5	-0.6	
05-26	7:00	GDP Nominal (y/y)	1Q	--	1.1	1.6	
05-26	7:00	Economic Activity IGAE (m/m)	Mar	-3.5	-4.0	-0.2	
05-26	7:00	GDP SA (q/q)	1Q F	--	-1.6	-1.6	Detailed figures for GDP will be key for the next update of our forecasts.
05-26	7:00	GDP NSA (y/y)	1Q F	-1.6	-1.6	-1.6	
05-26	10:00	International Reserves Weekly (USD mn)	22-May	--	--	186922	
05-27	13:00	Mexican Central Bank Releases Inflation Report					This report contains Banxico forecast revisions.
05-28	10:00	Central Bank Monetary Policy Minutes					
05-29	10:00	Net Outstanding Loans (MXN bn)	Apr	--	--	5011	
05-29	10:15	Bloomberg May Mexico Economic Survey					
05-29		Budget Balance YTD (MXN bn)	Apr	--	--	26.9	

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