

THE GLOBAL WEEK AHEAD

June 30, 2022

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*With thanks for research support from:
Marc Ercolao.*

Next Week's Risk Dashboard

- Corporate balance sheet strengths
- US nonfarm payrolls to cool?
- Canadian jobs aided by massive easing of restrictions
- BoC surveys likely to show higher inflation expectations
- Minutes to the anticlimactic FOMC meeting
- Analysts to firm up earnings estimates
- Inflation: China, Chile, Colombia, Mexico, SZ, SK, Thailand, Philippines
- CBs: RBA, Peru, Negara

The Other Balance Sheets

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- [Central Banks—A Few Gems](#) 3
- [Global Macro—Nonfarm The Main Event](#) 4

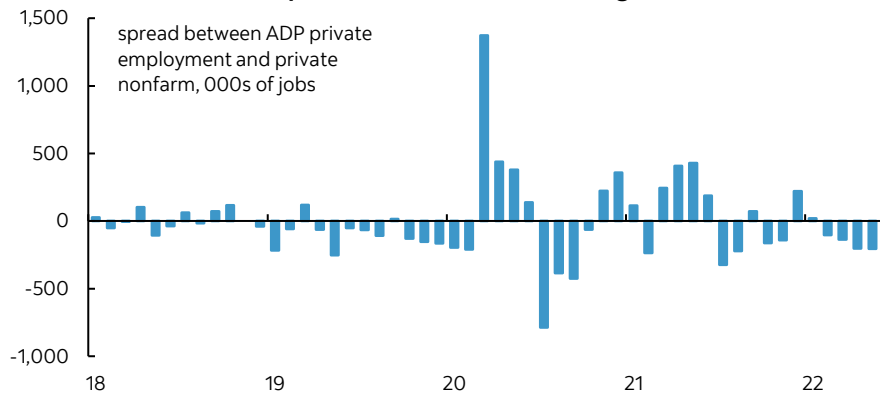
FORECASTS & DATA

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On behalf of the entire Scotia Economics team, we would like to wish Nancy Kerr the very best in her retirement. Her professionalism, counsel and friendship are cherished by each of us.

Chart of the Week

Narrowing the Spread ? ADP Will Temporarily Pause Employment Reports To Retool Its Methodologies



Sources: Scotiabank Economics, BLS, ADP Research Institute.

Chart of the Week: Prepared by: Marc Ercolao, Economic Analyst.

The Other Balance Sheets

As Americans and Canadians go into their long Canada Day and Independence Day weekends, I know that many of you are thinking what better way to pass the time could there possibly be than to read an economics publication rather than golf, tennis, dining, bbq'ing, fishing, sleeping, or just plain frolicking about. If you're actually reading this, then you agree. For the teeny tiny minority who might need a little more coaxing but still have some interest, this issue will err on the somewhat lighter side of normal.

Before turning to the expected developments over the coming week, I'll start with another entry in the evolving series of notes on risk mitigants into a downside scenario for the economy. As monetary policy tightens financial conditions, it will continue to ding the interest sensitive sectors the most, lessen excess aggregate demand and perhaps reopen some slack while probably raising unemployment rates as the Phillips curve channel through which softer inflation is delivered. These effects may be more powerful than the Fed 'put' arguments that markets had become accustomed to before the pandemic since the magnitude of the inflationary challenge is far greater today. In fact, if a Fed put is triggered too soon then it may complicate the inflation fight for a much longer period of time.

The state of corporate balance sheets prominently figures among the varied concerns about the state of the Canadian and US economies and their ability to handle tighter monetary policy. Broad metrics are very sound and indicating high resilience and this should enable the corporate landscape to continue to drive an economic expansion. Much of the focus is upon household balance sheets that I view as stronger than much of the popular commentary suggest, but nonfinancial and financial corporate strengths don't receive enough attention.

For one, interest coverage across the whole nonfinancial corporate landscape is running at a record high in both the US and Canada (charts 1, 2). Q1 is the latest available as Q2 continues to unfold. This measure is highly correlated with charge-off rates especially during abrupt recessionary periods in the past.

A deterioration in interest coverage likely lies ahead and should be driven by higher financing costs, cooler growth in profits to be further informed by the upcoming earnings season, and a shift in management and financing of net working capital requirements. Gross charge-off rates tend to rise fairly quickly when interest coverage begins to deteriorate but are likely to do so relatively modestly into 2023.

Cash and deposit balances at nonfinancial corporations have soared during the pandemic (chart 3). In Canada, they are about C\$270 billion higher than they were before the pandemic struck as stimulus proceeds were combined with more cautious liquidity management. There is bound to be greater competition for such balances in order to fund other requirements such as rising inventories.

In an it-takes-two-to-tango sense, solid capital ratios in the banking system on the heels of the Fed's recently concluded stress tests ([here](#)) offer added downside protection to the economy. Capital ratios are higher than before the pandemic and vastly higher than before the Global Financial Crisis and especially at the largest banks (chart 4).

Chart 1

Canadian Interest Coverage Ratio

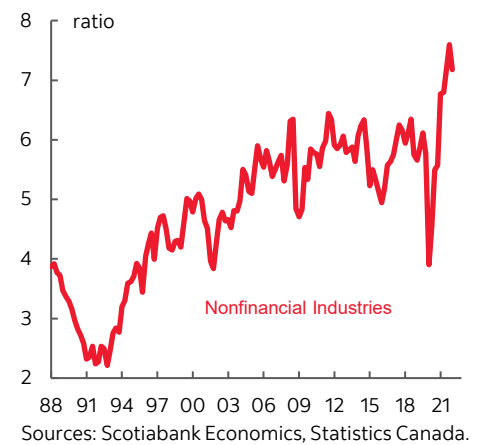


Chart 2

US Nonfinancial Corporate Balance Sheets Are Strong

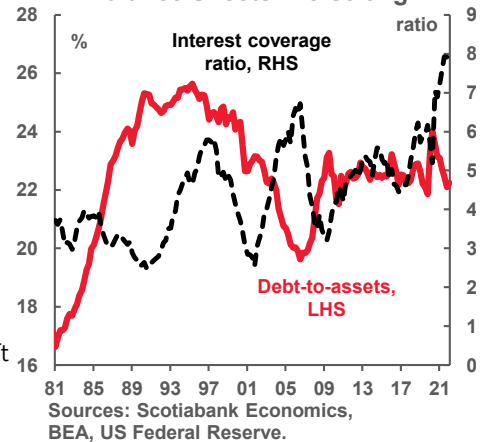


Chart 3

Non-Financial Corporate Cash and Deposit Holdings

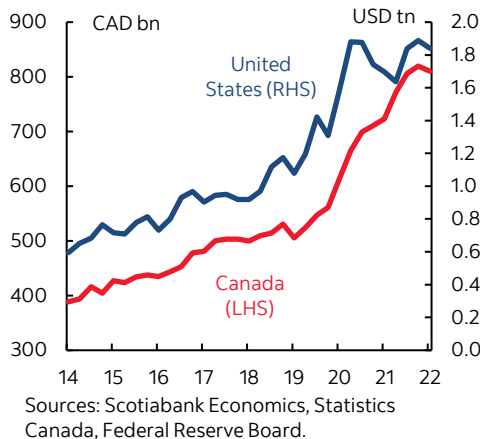
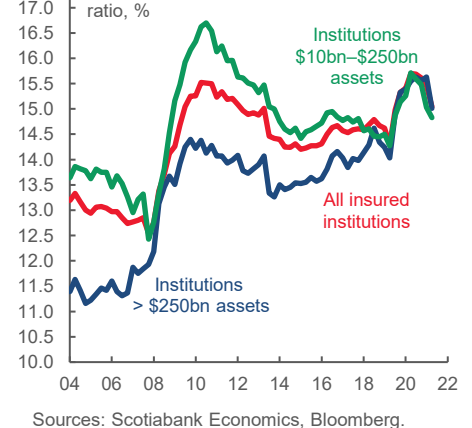


Chart 4

Total Risk Based Capital Ratio at US Banks



Balance sheet strengths in the corporate sphere are therefore likely to add to other arguments for why a potential contraction is unlikely to be as severe or as sustained an event as some fear. For instance, labour markets may have fundamentally changed for the long-term. The pandemic response of governments to labour market turmoil probably was not a one-off; they've gained experience, confidence and success—at the expense of productivity growth—in terms of rolling out job support programs and the necessary infrastructure that may well be triggered each time future material shocks arise especially if they align with the electoral cycles. Further, the downside to slower-growing labour forces is the difficulty attached to attracting and retaining talent. The upside, however, is that it may be more of a seller's market today than the buyer's market for talent when boomers were first entering the labour force in droves in an era marked by frequent restructurings and ammunition for Springsteen's songs. Let staff go today, and your competition will thank you.

On that note the focus shifts toward the week's main events.

CENTRAL BANKS—A FEW GEMS

The central bank landscape will be marked by three decisions by regional central banks, FOMC minutes, and surveys that the Bank of Canada considers to be important ahead of its policy decision the following week.

On Monday, the Bank of Canada will release its twin Business Outlook Survey and Canadian Survey of Consumer Expectations. Key will be the measures of inflation expectations that will likely move higher again and drive greater concern at the BoC ahead of the following week's full set of decisions and communications. Businesses have been raising their expectations for inflation to be well above the BoC's 2% target on a sustained basis over the next two years (chart 5). Consumers are indicating they expect this to be the case over the full five years ahead (chart 6). A knock against these surveys is their lack of timeliness. The BOS survey period was skewed toward the back half of May while the consumer survey was slanted toward the front half of the month.

The Reserve Bank of Australia is widely expected to deliver another 50bps cash rate target hike on Tuesday. Such a move is largely priced and expected by most economists.

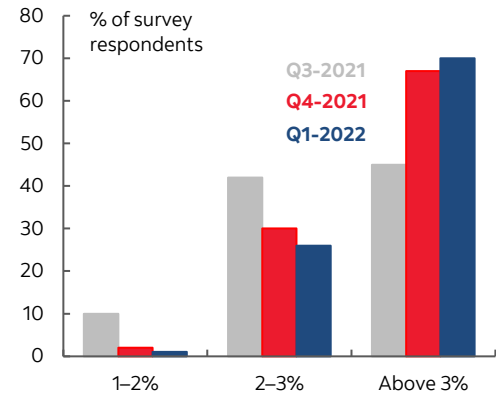
Minutes to the FOMC meeting on June 14th–15th land on Wednesday at the usual 2pmET time. A recap of that meeting is available [here](#). Recall that this meeting's decisions were set up a couple of days in advance when Fed officials planted guidance with key media about a pivot toward a 75bps rate hike in communications blackout following the prior Friday's CPI report. Discussions around recession risk may be enhanced. There may be a greater discussion around the nearer-term size and pace of rate hikes, but the revised dot plot indicated a year-end target of 3 ½% for the upper limit of the fed funds target range from 1.75% at present.

Most expect Bank Negara Malaysia to deliver its second quarter point rate hike to 2% on Wednesday. Inflation climbed to 2.8% y/y in May and the ringgit has suddenly depreciated by about 5% to the USD since the Federal Reserve accelerated its pivot from April onward. Currency weakness risks instability and imported inflation.

Peru's central bank is expected to hike by another 25bps on Thursday and to perhaps trigger a pause thereafter. CPI inflation for June arrives after this publication is being distributed but may further inform the policy stance in the wake of what has already been 525bps of rate hikes starting last August (chart 7).

Chart 5

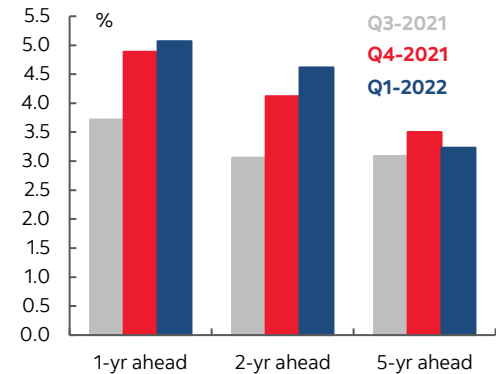
Canadian Businesses Expect Inflation to Surpass BoC's Target



Sources: Scotiabank Economics, Bank of Canada.

Chart 6

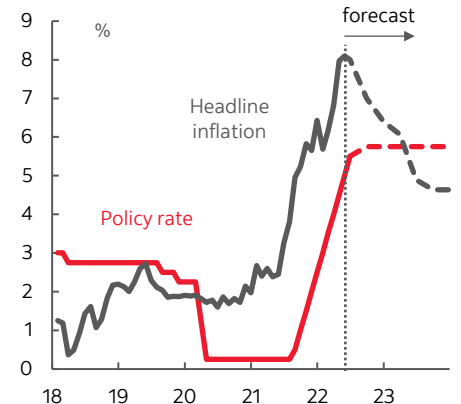
Canadian Consumers Expect a Sustained Inflation Overshoot



Sources: Scotiabank Economics, Bank of Canada.

Chart 7

Peru: Reference Rate vs Headline Inflation



Sources: Scotiabank Economics, BCRP, INEI.

GLOBAL MACRO—NONFARM THE MAIN EVENT

The line-up of global macroeconomic reports will principally focus upon Friday’s US nonfarm payrolls. A slew of regional gauges will arrive as equity analysts firm up estimates for the commencement of the Q2 US earnings season the following week. Chart 8 shows the current consensus estimates for earnings per share on the S&P500.

US markets will be shut on Monday for the July 4th Independence Day holiday and face a relatively light line-up of calendar-based risk until payrolls. Factory orders during May should follow the already known durable goods reading higher (Tuesday), ISM-services faces downside risk in June’s estimate (Wednesday) and the US trade deficit probably narrowed during May (Thursday) given the already known merchandise component. ADP private payrolls was cancelled for now as the report’s methodology is being worked on with a targeted reintroduction on August 31st.

Nonfarm payrolls for June are guesstimated to have risen by about another 300k as the monthly pace of hiring has ebbed from 714k in February toward still impressive readings in the 400k range ever since. Weekly jobless claims have been rising, and more people indicated they were not working due to COVID (chart 9) or an unusually early spike in the number of parents looking after their children before the end of the school year (chart 10). There has also been a mild deterioration in the Conference Board’s ‘jobs plentiful’ measure within consumer confidence. Also watch wage growth that is expected to post a modest gain of 0.3% m/m that would bring the year-over-year rate down to close to 5%.

Canada also updates jobs and wages for June on Friday. I went with +20k. COVID-19 restrictions have continued to ease (chart 11). A composite measure of mobility and business register data shows that local business conditions improved in most parts of the country between survey reference weeks (chart 12). A manufacturing PMI for June (Monday), trade figures for May (Thursday) and the Ivey PMI for June (Thursday) will round out the line-up.

A batch of inflation readings will arrive from across Asian and Latin American markets. Monday brings out readings from Switzerland, South Korea, Thailand and the Philippines. Colombia releases on Tuesday, Mexico on Thursday and then Chile on Friday. China updates late on Friday evening.

Other significant releases will include German trade, factory orders and industrial output for May throughout the week, along with PMIs from India (Tuesday) and China (private, Monday).

Chart 8

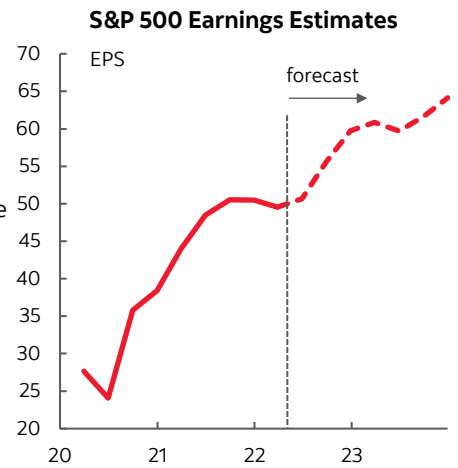


Chart 9

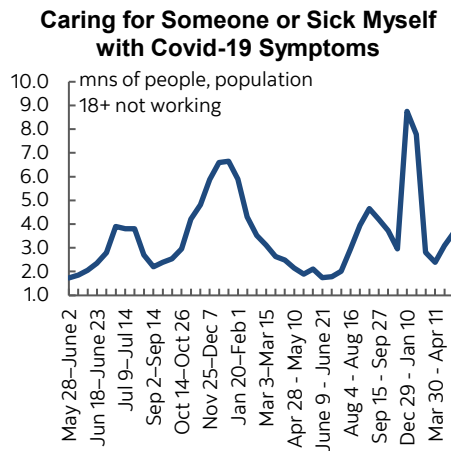


Chart 10

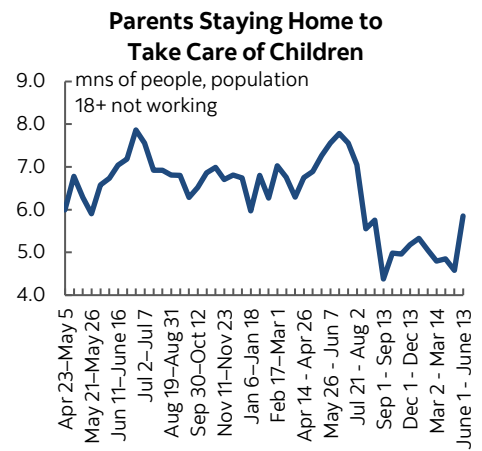


Chart 11

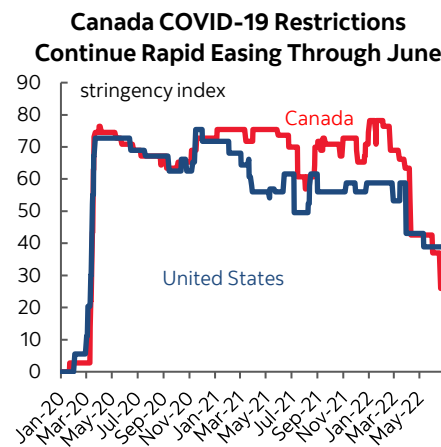
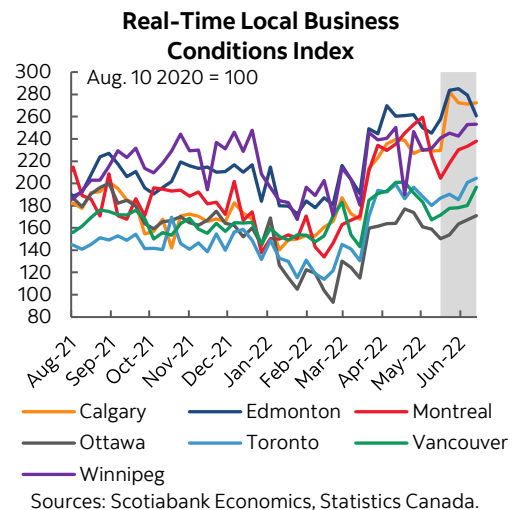


Chart 12



Key Indicators for the week of July 4 – 8

NORTH AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
CA	07/04	10:30	Business Outlook Future Sales	2Q	--	--	-11.0
CA	07/05	08:30	Building Permits (m/m)	May	--	--	-0.6
US	07/05	10:00	Factory Orders (m/m)	May	0.5	0.5	0.3
US	07/06	07:00	MBA Mortgage Applications (w/w)	Jul 1	--	--	0.7
US	07/06	10:00	ISM Non-Manufacturing Composite	Jun	54.5	54.2	55.9
US	07/06	10:00	JOLTS Job Openings (000s)	May	--	--	11,400
MX	07/07	07:00	Bi-Weekly Core CPI (% change)	Jun 30	--	--	0.5
MX	07/07	07:00	Bi-Weekly CPI (% change)	Jun 30	--	--	0.5
MX	07/07	07:00	Consumer Prices (m/m)	Jun	--	--	0.2
MX	07/07	07:00	Consumer Prices (y/y)	Jun	--	--	7.7
MX	07/07	07:00	Consumer Prices Core (m/m)	Jun	--	--	0.6
US	07/07	08:15	ADP Employment Report (000s m/m)	Jun	200	--	128
CA	07/07	08:30	Merchandise Trade Balance (C\$ bn)	May	--	--	1.5
US	07/07	08:30	Initial Jobless Claims (000s)	Jul 2	230	230	231
US	07/07	08:30	Continuing Claims (000s)	Jun 25	1,300	1,318	1,328
US	07/07	08:30	Trade Balance (US\$ bn)	May	-83.5	-85.0	-87.1
CA	07/08	08:30	Employment (000s m/m)	Jun	20	--	39.8
CA	07/08	08:30	Unemployment Rate (%)	Jun	5.1	--	5.1
US	07/08	08:30	Average Hourly Earnings (m/m)	Jun	0.3	0.3	0.3
US	07/08	08:30	Average Hourly Earnings (y/y)	Jun	5.0	5.1	5.2
US	07/08	08:30	Average Weekly Hours	Jun	--	34.6	34.6
US	07/08	08:30	Nonfarm Employment Report (000s m/m)	Jun	300	250.0	390.0
US	07/08	08:30	Unemployment Rate (%)	Jun	3.6	3.6	3.6
US	07/08	15:00	Consumer Credit (US\$ bn m/m)	May	--	30.0	38.1
US	07/08	08:30	Household Employment Report (000s m/m)	Jun	--	--	321.0

EUROPE

Country	Date	Time	Indicator	Period	Consensus	Latest
EC	07/04	05:00	PPI (m/m)	May	--	1.2
FR	07/05	02:45	Industrial Production (m/m)	May	--	-0.1
FR	07/05	02:45	Industrial Production (y/y)	May	--	-0.3
FR	07/05	02:45	Manufacturing Production (m/m)	May	--	-0.4
IT	07/05	03:45	Services PMI	Jun	--	53.7
FR	07/05	03:50	Services PMI	Jun F	--	54.4
GE	07/05	03:55	Services PMI	Jun F	52.4	52.4
EC	07/05	04:00	Composite PMI	Jun F	--	51.9
EC	07/05	04:00	Services PMI	Jun F	52.8	52.8
UK	07/05	04:30	Official Reserves Changes (US\$ bn)	Jun	--	-365
UK	07/05	04:30	Services PMI	Jun F	--	53.4
GE	07/06	02:00	Factory Orders (m/m)	May	-1.0	-2.7
SP	07/06	03:00	Industrial Output NSA (y/y)	May	--	-0.4
UK	07/06	04:30	PMI Construction	Jun	--	56.4
EC	07/06	05:00	Retail Trade (m/m)	May	--	-1.3
GE	07/07	02:00	Industrial Production (m/m)	May	0.5	0.7
FR	07/08	02:45	Current Account (€ bn)	May	--	-3,368
FR	07/08	02:45	Trade Balance (€ mn)	May	--	-12,156
IT	07/08	04:00	Industrial Production (m/m)	May	--	1.6

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

Key Indicators for the week of July 4 – 8

ASIA PACIFIC

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
JN	07/03	19:50	Monetary Base (y/y)	Jun	--	--	4.6
AU	07/03	21:30	Building Approvals (m/m)	May	--	-1.0	-2.4
AU	07/03	21:30	ANZ Job Advertisements (m/m)	Jun	--	--	0.4
SI	07/04	09:00	Purchasing Managers Index	Jun	--	--	50.4
SK	07/04	19:00	CPI (y/y)	Jun	5.8	5.9	5.4
SK	07/04	19:00	Core CPI (y/y)	Jun	--	--	4.1
PH	07/04	21:00	CPI (y/y)	Jun	5.7	6.0	5.4
CH	07/04	21:45	Caixin Services PMI	Jun	--	49.0	41.4
TH	07/04	23:30	CPI (y/y)	Jun	7.4	7.5	7.1
TH	07/04	23:30	Core CPI (y/y)	Jun	--	--	2.3
SI	07/05	01:00	Retail Sales (y/y)	May	--	--	12.1
HK	07/05	20:30	Purchasing Managers Index	Jun	--	--	54.9
AU	07/05	00:30	RBA Cash Target Rate (%)	Jul 5	1.35	1.35	0.85
MA	07/06	03:00	Overnight Rate (%)	Jul 6	2.25	2.25	2.00
TA	07/06	04:00	CPI (y/y)	Jun	3.6	3.7	3.4
SK	07/06	19:00	Current Account (US\$ mn)	May	--	--	-79.3
PH	07/06	21:00	Unemployment Rate (%)	May	--	--	5.7
AU	07/06	21:30	Trade Balance (AUD mn)	May	--	10,300	10,495
AU	07/07	02:30	Foreign Reserves (AUD bn)	Jun	--	--	77.3
MA	07/07	03:00	Foreign Reserves (US\$ bn)	Jun 30	--	--	109.2
SI	07/07	05:00	Foreign Reserves (US\$ mn)	Jun	--	--	345,277
JN	07/07	19:30	Household Spending (y/y)	May	--	2.1	-1.7
JN	07/07	19:50	Bank Lending (y/y)	Jun	--	--	0.7
JN	07/07	19:50	Current Account (¥ bn)	May	--	252.9	501.1
JN	07/07	19:50	Trade Balance - BOP Basis (¥ bn)	May	--	-2,083	-688
CH	07/07	21:00	Foreign Reserves (US\$ bn)	Jun	--	--	3,128
TH	07/07	22:00	Consumer Confidence Economic	Jun	--	--	34.3
MA	07/08	00:00	Industrial Production (y/y)	May	--	--	4.6
TA	07/08	04:00	Exports (y/y)	Jun	--	--	12.5
TA	07/08	04:00	Imports (y/y)	Jun	--	--	26.7
TA	07/08	04:00	Trade Balance (US\$ bn)	Jun	--	--	2.4
CH	07/08	21:30	CPI (y/y)	Jun	2.5	2.5	2.1
CH	07/08	21:30	PPI (y/y)	Jun	--	--	6.4
ID	07/08	22:00	Consumer Confidence Index	Jun	--	--	128.9

LATIN AMERICA

Country	Date	Time	Indicator	Period	BNS	Consensus	Latest
BZ	07/04	08:00	Current Account (US\$ mn)	Mar	--	300	-2,414
BZ	07/04	08:00	Economic Activity Index SA (m/m)	Mar	--	1.0	0.3
BZ	07/04	08:00	Economic Activity Index NSA (y/y)	Mar	--	2.1	0.7
BZ	07/05	08:00	Industrial Production SA (m/m)	May	--	0.4	0.1
BZ	07/05	08:00	Industrial Production (y/y)	May	--	0.0	-0.5
CO	07/05	20:00	Consumer Price Index (m/m)	Jun	0.7	0.5	0.8
CO	07/05	20:00	Consumer Price Index (y/y)	Jun	9.9	9.7	9.1
PE	07/07	19:00	Reference Rate (%)	Jul 7	5.75	--	5.5
BZ	07/08	08:00	IBGE Inflation IPCA (m/m)	Jun	--	0.7	0.5
BZ	07/08	08:00	IBGE Inflation IPCA (y/y)	Jun	--	11.9	11.7

Forecasts at time of publication.

Sources: Bloomberg, Scotiabank Economics.

Global Auctions for the week of July 4 – 8**NORTH AMERICA**

No Scheduled Auctions.

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
UK	07/05	05:00	U.K. to Sell GBP2 Billion of 1.25% 2051 Bonds
AS	07/05	05:15	Austria to Sell Bonds
DE	07/06	04:15	Denmark to Sell Bonds
GE	07/06	05:30	Germany to Sell EU5 Billion of 1.7% 2032 Bonds
SP	07/07	04:30	Spain to Sell Bonds
FR	07/07	04:50	France to Sell Bonds
IC	07/08	07:00	Iceland to Sell Bonds

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
JN	07/04	23:35	Japan to Sell 10-Year Bonds
CH	07/05	22:35	China Plans to Sell CNY 3Y Upsized Bond
CH	07/05	22:35	China Plans to Sell CNY 7Y Upsized Bond
JN	07/06	23:35	Japan to Sell 30-Year Bonds
CH	07/07	22:35	China Plans to Sell CNY 30Y Upsized Bond

LATIN AMERICA

No Scheduled Auctions.

Events for the week of July 4 – 8

NORTH AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
CA	07/04	10:30	BoC Business Outlook Future Sales
US	07/06	14:00	FOMC Meeting Minutes
MX	07/07	10:00	Central Bank Monetary Policy Minutes
US	07/07	13:00	Fed's Waller Interviewed During NABE Event
US	07/07	13:00	Fed's Bullard to Discuss US Economy and Monetary Policy
US	07/08	11:00	Fed's Williams Speaks in Puerto Rico

EUROPE

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
EC	07/04	10:00	ECB's Nagel Speaks
EC	07/04	11:00	ECB's Guindos Speaks
EC	07/04		ECB Presents Climate Action Plan
UK	07/05	12:30	BOE's Tenreyro speaks
UK	07/06	04:10	BOE's Huw Pill speaks at Qatar conference
EC	07/07	05:45	ECB's Lane Speaks
EC	07/07	07:30	ECB Publishes Account of June Policy Meeting
UK	07/07	09:00	BOE's Catherine Mann speaks
EC	07/08	07:55	ECB's Lagarde Speaks
EC	07/08	12:45	ECB's Villeroy speaks

ASIA-PACIFIC

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
AU	07/05	00:30	RBA Cash Rate Target
MA	07/06	03:00	BNM Overnight Policy Rate

LATIN AMERICA

<u>Country</u>	<u>Date</u>	<u>Time</u>	<u>Event</u>
PE	07/07		Reference Rate

Global Central Bank Watch

NORTH AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Canada – Overnight Target Rate	1.50	July 13, 2022	2.25	2.00
Federal Reserve – Federal Funds Target Rate	1.75	July 27, 2022	2.50	2.50
Banco de México – Overnight Rate	7.75	August 11, 2022	8.50	8.50

EUROPE

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
European Central Bank – Refinancing Rate	0.00	July 21, 2022	0.25	0.25
European Central Bank – Marginal Lending Facility Rate	0.25	July 21, 2022	0.50	0.50
European Central Bank – Deposit Facility Rate	-0.50	July 21, 2022	-0.25	-0.25
Bank of England – Bank Rate	1.25	August 4, 2022	1.75	1.75
Swiss National Bank – Sight Deposit Rate	-0.25	September 22, 2022	0.00	0.00
Central Bank of Russia – One-Week Auction Rate	9.50	July 22, 2022	9.00	9.00
Sweden Riksbank – Repo Rate	0.75	September 20, 2022	1.25	1.25
Norges Bank – Deposit Rate	0.75	August 18, 2022	1.00	1.00
Central Bank of Turkey – Benchmark Repo Rate	14.00	July 21, 2022	14.00	14.00

ASIA PACIFIC

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Bank of Japan – Policy Rate	-0.10	July 21, 2022	-0.10	-0.10
Reserve Bank of Australia – Cash Rate Target	0.85	July 5, 2022	1.35	1.35
Reserve Bank of New Zealand – Cash Rate	2.00	July 12, 2022	2.50	2.50
People's Bank of China – 1-Year Loan Prime Rate	3.70	July 19, 2022	3.70	3.70
Reserve Bank of India – Repo Rate	4.90	August 4, 2022	5.25	5.25
Bank of Korea – Bank Rate	1.75	July 13, 2022	2.00	2.00
Bank of Thailand – Repo Rate	0.50	August 10, 2022	0.75	0.50
Bank Negara Malaysia – Overnight Policy Rate	2.00	July 6, 2022	2.25	2.25
Bank Indonesia – 7-Day Reverse Repo Rate	3.50	July 21, 2022	3.75	3.50
Central Bank of Philippines – Overnight Borrowing Rate	2.50	August 18, 2022	2.75	2.50

Reserve Bank of Australia (RBA): The RBA will make a monetary policy decision on July 5. We expect the benchmark Cash Rate Target to be raised by 50bps to 1.35%, marking the third hike in the monetary normalization phase that commenced in May. In June, the RBA raised the policy rate by 50bps on the back of policymakers' increased discomfort regarding accelerating inflation. The RBA assesses that the Australian economy is resilient and no longer needs extraordinary monetary policy support; this allows the central bank to focus on its efforts to bring inflation back to the RBA's 2–3% target over time.

Bank Negara Malaysia (BNM): Malaysian monetary authorities will make a policy decision on July 6; we expect the Overnight Policy Rate to be raised by 25bps to 2.25%. In May, the BNM commenced a monetary normalization phase by increasing the benchmark rate by 25bps to 2.0%. Malaysia's inflation has started to accelerate, reaching 2.8% y/y in May, and we expect price gains to exceed 4% y/y within the next few months, requiring a monetary policy response.

LATIN AMERICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
Banco Central do Brasil – Selic Rate	13.25	August 3, 2022	13.25	13.25
Banco Central de Chile – Overnight Rate	9.00	July 13, 2022	9.50	9.50
Banco de la República de Colombia – Lending Rate	7.50	July 29, 2022	8.00	8.00
Banco Central de Reserva del Perú – Reference Rate	5.50	July 7, 2022	5.75	5.75

Banco Central de Reserva del Perú (BCRP): We expect the BCRP to raise the reference rate by 25 bps to 5.75% at the July 7 policy rate meeting, followed by a pause in the hiking cycle until end-2023. This hike would represent a slowdown in the normalization process, as rates have increased in 50 bps clips at every meeting since Sept. 2021. The downsized hike is largely dependent on whether June inflation shows nascent peaking. Still, current inflation rates at 8.1% and 4.3% y/y for headline and core respectively, sit well above the bank's 2 +/- 1% target.

AFRICA

<u>Rate</u>	<u>Current Rate</u>	<u>Next Meeting</u>	<u>Scotia's Forecasts</u>	<u>Consensus Forecasts</u>
South African Reserve Bank – Repo Rate	4.75	July 21, 2022	5.00	5.00

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

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