

## Latam Economic Update

- **Argentina:** Inflation expectations take off; government and bondholders still far apart
- **Colombia:** Quarantine extended until May 31; in June, local governments will lead the new opening stages
- **Peru:** The debate over unlocking rages

### ARGENTINA: INFLATION EXPECTATIONS TAKE OFF; GOVERNMENT AND BONDHOLDERS STILL FAR APART

The University of Torcuato Di Tella (UTDT) inflation expectations [survey for May](#) hit a record high since the survey's inception in 2006. In the May 19 numbers, average inflation expectations for the next 12 months hit 47.4% with a median of 50%. Headline inflation was 44.2% in April and we [forecast](#) it to remain above 45% for the remainder of 2020 owing to heavy monetization of the national government's deficits by the BCRA and ongoing widening of the gap between the official USDARS exchange rate and the blue-chip swap rate.

On Tuesday, May 19, Economy Minister Guzman indicated that he expected negotiations on a possible debt exchange to extend past the current May 22 deadline, which also marks the end of the grace period on some USD 500 mn in coupon payments deferred from April. It remains unclear whether the government will make the payments to avoid default and extend discussions, or whether it is hoping that continued dialogue alone will prevent an acceleration of the bonds and the country's ninth default. Bondholders are said to have submitted three counterproposals to the government at the end of last week. In response, the government is reported to be reworking the terms of its offer to maintain its proposed three-year grace period, while at the same time enriching other aspects of a possible debt exchange. Nevertheless, the two sides are reported to remain far apart on potential exit yields.

—Brett House

### COLOMBIA: QUARANTINE EXTENDED UNTIL MAY 31; IN JUNE, LOCAL GOVERNMENTS WILL LEAD THE NEW OPENING STAGES

On May 19, President Ivan Duque announced one further extension of the mandatory quarantine until May 31 under conditions unchanged from the current lockdown. Additionally, President Duque extended the Health Emergency declaration until August 31. The President anticipated, however, that from June 1, local governments will lead new steps to resume economic activities under physical-distancing protocols. In a preliminary announcement, the President stated that non-essential professional services and household services will be allowed after June 1; schools and universities will not open again until August. Nevertheless, the President emphasized that older adults (i.e., > 70 years) will continue in mandatory quarantine until June 30 and public transport will remain restricted at 30% capacity.

—Sergio Olarte & Jackeline Piraján

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Chart 1

#### Peru: Oil Production Falls



Sources: Scotiabank Economics, Ministry of Energy and Mines, Perupetro.

**PERU: THE DEBATE OVER UNLOCKING RAGES**

**According to an Ipsos poll released on Tuesday May 19, 79% of the population wants economic activities to start back up.** This is not really surprising, but still important as President Vizcarra seems to pay quite a bit of attention to polls. Meanwhile, there is a tense debate going on in the press and social media over whether the economy should open up more quickly, more slowly, or at all, as COVID-19 mortality continues to climb while the economy and household incomes continue to contract.

**Data released on May 19 showed that oil production fell 14% y/y in April (chart 1), according to Perúpetro, the state institution charged with oversight of the sector.** In part, this reflected lower demand and also the temporary closing of the northern oil pipeline due to COVID-19-related health measures. Petroperú, Peru's state oil producer, plans to restart investment in refurbishing its Talara refinery in two weeks. This adds to announcements by mining companies Hochschild and Buenaventura that they are currently involved in bringing mines back on stream and plan to return to normal operating levels between mid- and late-June.

—Guillermo Arbe

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