

## Latam Daily: Colombia Inflation Expectations & Rate Calls Remain Stable

- **Argentina:** August retail sales add stale data on recovery
- **Colombia:** October's Citi survey shows consensus on rate stability
- **Mexico:** Pace of recovery softened in August

### ARGENTINA: AUGUST RETAIL SALES ADD STALE DATA ON RECOVERY

Retail data for August, published on Monday, October 26, confirmed what we already knew from the EMAE monthly GDP proxy that came out on Thursday, October 22: **Argentina's recovery firmed a touch in August, but Q3 remains on track to be down -10% y/y compared with the same quarter in 2019.** Supermarket sales levels slipped back below 2019 benchmarks, coming down from being up 0.95% y/y in July to down -5.66% y/y in August (chart 1). Shopping centre sales came up a touch in their annual comparison, from -83.3% y/y in July to -79.0% y/y in August, but that was basically trading water. In short, industry, construction, and some agriculture—not consumption—are driving the leading edge of Argentina's recovery.

—Brett House

### COLOMBIA: OCTOBER'S CITI SURVEY SHOWS CONSENSUS ON RATE STABILITY

October's Citi Survey, which BanRep uses as one of its measures of expectations of inflation, the monetary policy rate, GDP, and the COP, came out on Monday, 26 October. Key points included:

- **Growth forecasts were mildly revised.** For 2020, a contraction of -6.89% y/y, 0.8 pts weaker than last month's survey reading of -6.81%, is now expected. In 2021, the recovery is anticipated to hit a pace of 4.67% y/y, above the previous survey's 4.49% y/y consensus. We expect -7.5% y/y in 2020 and a rebound to 5.0% y/y in 2021.
- **Inflation expectations rose, although the pace of price increases is still expected to remain below the central bank's target range (2%–4%) in 2020, but it would return to the range in 2021.** October's monthly inflation rate is, on average, expected to be 0.14% m/m and 1.95% y/y; we expect 0.16% m/m and 1.97% y/y owing to offsetting forces between reduced education-sector inflation and faster inflation in foodstuffs and utility fees. For December 2020, the survey's average projection for headline inflation is 1.89% y/y, unchanged from the September survey; we forecast 2.0% y/y. By December 2021, inflation is expected to hit 2.87% y/y, above the 2.27% y/y average projection in the previous survey; again, our forecast is a bit higher at 3.0% y/y (see the October 18 [Latam Weekly](#)).
- **Market consensus points to rate stability.** Notably, 100% of analysts surveyed project a pause at 1.75% at the next meeting on Friday, October 30. By December 2020 monetary policy rate is still expected to remain at 1.75%, as is the case in our forecasts. In 2021, consensus anticipates one 25 bps

#### CONTACTS

**Brett House, VP & Deputy Chief Economist**  
416.863.7463  
Scotiabank Economics  
[brett.house@scotiabank.com](mailto:brett.house@scotiabank.com)

**Guillermo Arbe**  
51.1.211.6052 (Peru)  
Scotiabank Peru  
[guillermo.arbe@scotiabank.com.pe](mailto:guillermo.arbe@scotiabank.com.pe)

**Mario Correa**  
52.55.5123.2683 (Mexico)  
Scotiabank Mexico  
[mcorrea@scotiabank.com.mx](mailto:mcorrea@scotiabank.com.mx)

**Sergio Olarte**  
57.1.745.6300 (Colombia)  
Scotiabank Colombia  
[sergio.olarte@co.scotiabank.com](mailto:sergio.olarte@co.scotiabank.com)

**Jorge Selaive**  
56.2.2939.1092 (Chile)  
Scotiabank Chile  
[jorge.selaive@scotiabank.cl](mailto:jorge.selaive@scotiabank.cl)

**Marc Ercolao**  
416.866.6252  
Scotiabank Economics  
[marc.ercolao@scotiabank.com](mailto:marc.ercolao@scotiabank.com)

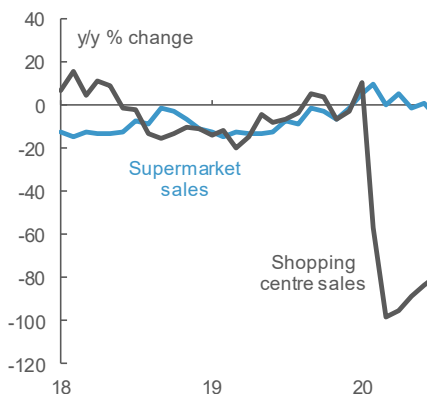
#### TODAY'S CONTRIBUTORS:

**Jackeline Piraján**  
57.1.745.6300 (Colombia)  
Scotiabank Colombia  
[jackeline.pirajan@co.scotiabank.com](mailto:jackeline.pirajan@co.scotiabank.com)

**Miguel Saldaña**  
52.55.5123.0000 Ext. 36760 (Mexico)  
Scotiabank Mexico  
[msaldanab@scotiabank.com.mx](mailto:msaldanab@scotiabank.com.mx)

Chart 1

#### Argentina: Retail Sales Reflect Extended Lockdown



Sources: Scotiabank Economics, INDEC.

hike; although analysts' projections are dispersed between stability and 125 bps of hikes, the mode is at 2.50% (chart 2). Our forecast anticipates four hikes in the second half of 2021 to take the policy rate to 2.75% (again, see the October 18 [Latam Weekly](#)).

- **The USDCOP forecasts point to relatively stable currency through December 2020 and a COP appreciation in 2021.** On average, respondents expect a level of USDCOP 3,716 by the end of 2020 and USDCOP 3,582 in 2021. Our forecasts anticipate a touch more COP strength with USDCOP 3,654 at end-2020 and USDCOP 3,450 at end-2021.

—Sergio Olarte & Jackeline Piraján

### MEXICO: PACE OF RECOVERY SOFTENED IN AUGUST

The August Global Indicator of Economic Activity (IGAE), published by INEGI on Monday, October 26, showed a marked—and expected—softening in the pace of Mexico's economic recovery. In seasonally-adjusted sequential terms, growth slowed from 5.69% m/m in July to 1.07% m/m in August, below the Bloomberg consensus of 1.70% m/m. This kept the annual comparison broadly unchanged, narrowing only slightly from -9.84% y/y in July to -9.45% y/y in August, a touch worse than the -8.30% y/y expected by the market, but stronger than the -10.5% y/y we forecast in the October 18 [Latam Weekly](#).

Mexico's monthly GDP proxy arrives with such a long lag that the August print is stale: it came in only four days ahead of Friday's scheduled release of preliminary Q3 GDP numbers. Still, it's worth digging into a few of the August IGAE details:

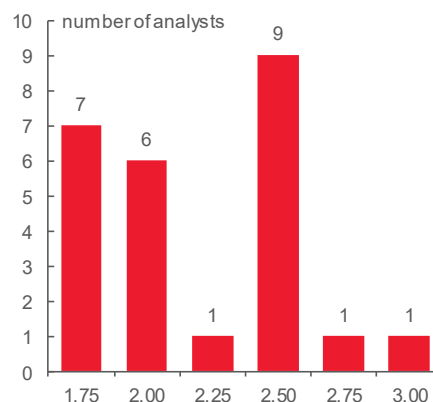
- **Recall that Mexico's decline in economic activity predated the arrival of the pandemic:** August marked the eighth month in a row that the IGAE was lower than a year before, and the 15th of 17 months in which this has been the case.
- At the sector level, the leading edge of the **industrial recovery** slowed from 7.1% m/m in July to 3.3% m/m in August. Industrial activity was down compared with the year before for an 18th straight month, but it pared its losses from -11.4% y/y in July to -9.0% y/y in August.
- In **services**, growth also slowed from 4.7% m/m in July to 0.4% m/m in August. The annual comparison remained off by -10.2% y/y, the same as in July. This made for a sixth straight month of annual losses, and eight in the last 10 months.
- The **agricultural sector** saw a contraction in August, reversing from 14.0% m/m growth in July to a sequential shrinkage in activity of -5.9% m/m in August. In annual terms, the August pullback brought the sector's gains down from 11.0% y/y in July to 5.2% y/y in August.
- Thus, **in January–August, the IGAE averaged a decline of -9.9% YTD**, the largest drop this period in the last 25 years—continuing a YTD trend of the last few months (chart 3).

Considering the poor performance to date of gross fixed investment and private consumption, as well as the uncertainty surrounding the evolution of the COVID-19 pandemic, we continue to project that Mexico's level of overall economic activity will remain below 2019 watermarks through end-2020 and rebound moderately only in 2021.

—Miguel Saldaña

Chart 2

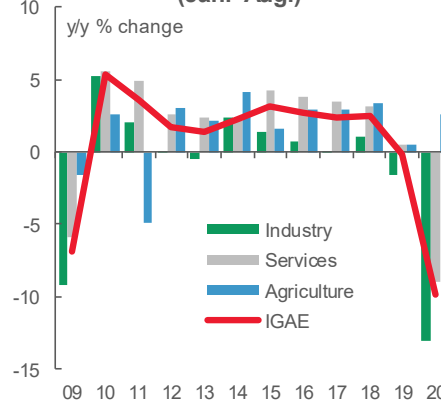
#### Colombia: October Citi Survey Repo-Rate Forecasts for End-2021



Sources: Citi Survey, Scotiabank Economics.

Chart 3

#### Mexico: Average Economic Growth (Jan.–Aug.)



Sources: Scotiabank Economics, INEGI.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed in this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

**This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.**

™ Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including, Scotiabanc Inc.; Citadel Hill Advisors L.L.C.; The Bank of Nova Scotia Trust Company of New York; Scotiabank Europe plc; Scotiabank (Ireland) Limited; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Scotia Inverlat Casa de Bolsa S.A. de C.V., Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorised by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia’s regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorised by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V., and Scotia Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.