

## Latam Daily: Colombia Citi Survey; Peru's Politics Reach Camisea Gas Operation

- **Colombia:** Citi survey shows consensus expects a gradual hiking cycle
- **Peru:** Camisea gas project—The new issue dividing politics

### COLOMBIA: CITI SURVEY SHOWS CONSENSUS EXPECTS A GRADUAL HIKING CYCLE

Colombia's central bank (BanRep) uses this survey as one of the expectations measures on inflation, monetary policy rate (MPR), GDP, and COP.

Key points from June's Citi survey released on September 27 include:

- **Growth forecasts improved again.** In 2021, GDP recovery is expected to hit a pace of 8.26% y/y, higher than the [previous survey's](#) 7.54% y/y consensus, the fifth upside revision in a row. Our own [GDP forecast](#) for 2021 is 8.2%. Upside revisions came after recent coincident indicators (i.e. retail sales and manufacturing) pointed to a faster than expected economic recovery. In 2022 and 2023, economic growth expectation are relatively unchanged, for 2022 GDP growth stand at 3.58% (previous: 3.58%) and for 2023 3.35% (previous: 3.31%), respectively.
- **Inflation expectations increased again for Dec-2021, although they remained anchored for 2022.** September's monthly inflation rate is, on average, expected to be 0.34% m/m and 4.46% y/y; we expect 0.32% m/m and 4.44% y/y as we expect still positive contribution from the majority of CPI items including foodstuff and education fees due to seasonal effects. For December 2021, the survey's average projection is 4.78% y/y, well above the previous survey expectation (4.28% y/y). By December 2022, inflation is expected to hit 3.45% y/y, slightly above the central bank's target.
- **Market consensus points to a gradual hiking cycle.** 23 out of the 24 analysts expect a 25 bps hike at this week's monetary policy rate meeting (on Thursday, Sept. 30). For Dec-2021, the majority expect the monetary policy rate closing at 2.50% (chart 1)—an opinion that we share—while three analysts see the possibility of at least one 50 bps hike in the year. In 2022, the median policy rate expected is 4% (chart 1, again), while we, at Scotiabank Economics, recently revised our expectation for Dec-2022 to 4.50%.
- **The USDCOP forecasts point to a slight appreciation in the currency through December 2021.** On average, respondents expect a level of USDCOP 3,724 by the end of 2021 and USDCOP 3,647 by 2022.

—Sergio Olarte & Jackeline Piraján

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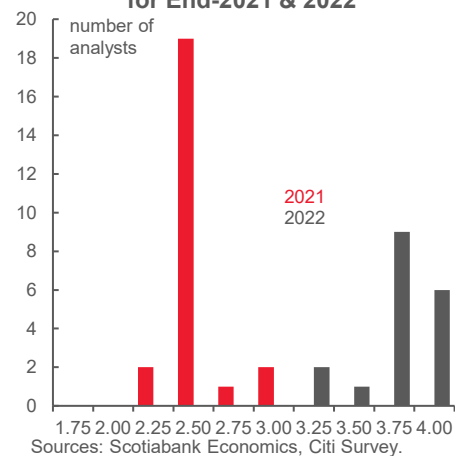
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Chart 1

#### Colombia: Repo Rate Expectations for End-2021 & 2022



## PERU: CAMISEA GAS PROJECT—THE NEW ISSUE DIVIDING POLITICS

Local markets and the media were abuzz on Monday after the Head of the Cabinet, Guido Bellido, suggested during the weekend that the government would expropriate the Camisea gas operations if Pluspetrol, the operator, did not renegotiate the contract it has with the State. The Pluspetrol conglomerate includes energy companies Repsol (Spain) and Hunt Oil (US) among others. Mr Bellido, who has gotten into the habit of communicating by Twitter, literally stated (our translation, but not our syntax) that: “We call on the company that exploits and commercializes the Camisea gas, to renegotiate the distribution of earnings in favour of the State, if not we will opt for the recovery or nationalization of our gas field.”

The threat of nationalization has ruffled feathers and generated confusion, with much of the media focusing on the possibility of an expropriation. President Castillo attempted to calm the waters a bit, stating that any renegotiation would need to obey the rule of law. At first this seemed to represent a disavowal of Bellido’s message, however, retrospectively, it was probably more a desire to get the focus away from the expropriation issue while maintaining the government intention to renegotiate the contract.

On Monday, Bellido, together with the Minister of Mining and Oil & Gas, Iván Merino, submitted a formal request with PlusPetrol, the operator of the Camisea oilfields, to begin conversations to renegotiate the contract. Bellido and Merino went personally to the offices of PlusPetrol to deliver the formal request for negotiations, which is quite unusual, and something that puts greater political onus on the issue and links much more personally to Bellido himself. The request also had a specific, and very expedited date for negotiations to begin: October 6. Meanwhile, the PEN reached a new all-time low versus the USD, with the FX rate surpassing 4.12, in a move that market analysts linked largely to the Camisea developments.

Bellido’s threat seemed more than just an intent to pressure PlusPetrol to sit at the renegotiation table. The approach, the rather hardened tenor of the request letter (calling for a renegotiation “to the benefit of the Peruvian State and in line with the interests of population of Peru”) and the rushed date for negotiations to begin, give the impression of an attempt to put PlusPetrol at a disadvantage at the talks, as well.

Seen from a broader perspective, Bellido is becoming somewhat of a maverick within the government. It is not clear to what extent his actions reflect his personal or party views, and how much is coordinated with the Executive, but his statements do seem frequently to reflect the position of Perú Libre more than of the Executive. His statements, thus, are contributing to a sensation that the government lacks cohesion, discipline and leadership, and has, furthermore, a bit of an identity crisis. It does not help that Bellido has opted for a form of communication—through Twitter—that lacks gravitas.

The Camisea expropriation threat is the third major issue that has devolved in internal conflict within the government in the past few weeks, adding to the discussion over a new Constitution through a Constitutional Assembly, and the country’s position vis-à-vis Venezuela. All three issues have divided government leaders along a similar line: those linked to the Peru Libre party, and those that are not. More contradictions are likely to emerge, unless President Castillo decides to break with one of the groups.

—Guillermo Arbe

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