

ECONOMICS REPORT

Regional analysis

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El valor de ser
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Regional Monitor - Projections 2024

| | Inflation | Interest Rate | GDP | Currency |
|---|-----------|---------------|-------|----------|
|  | 177,3% | 79% | -1,6% | -59,30% |
|  | 4% | 9,25% | 1,6% | 0,80% |
|  | 3,5% | 5,2% | 1,9% | 3,40% |
|  | 6% | 8,15% | 1,8% | -2,44% |
|  | 4,3% | 9,05% | 2,1% | -0,11% |
|  | 3,2% | 4,4% | 2,3% | -0,80% |
|  | 6,5% | | 3,11% | -5,48% |

Outlook

Global

The year 2023 has marked a year of divergences in the pace of activity, from the resilience of the U.S. to the weakening in Europe or lack of traction in Asia. Global economic growth is expected to decelerate in 2024, mainly due to the erosive effect of high-interest rates.

Global growth could slow to 2.6% next year from 2.9% this year, according to a forecast from a Reuters survey. While economists generally agree that the world will likely avoid a recession, they highlight the possibility of "mild recessions" in Europe and the UK. Despite the chances of a "soft landing" for the United States, uncertainty about the Federal Reserve's interest rate policies makes the future difficult to predict. In addition to this, growth and sentiment regarding China continue to depend on further government efforts.

At the same time, geopolitical risk remains a key factor of uncertainty and could contribute to a worsening of global financial prospects.

We cannot overlook another peculiarity of 2024: approximately 80 elections, whether general, legislative, or local, will take place in more than 75 countries around the world, in what experts are calling an electoral "tsunami" that may not be repeated until 2048.

This electoral "tsunami," according to researchers, journalists, and representatives of technology companies such as Google and Microsoft, presents "unique challenges" for the global community focused on various aspects of the phenomenon, from electoral administration to information integrity.

Regional

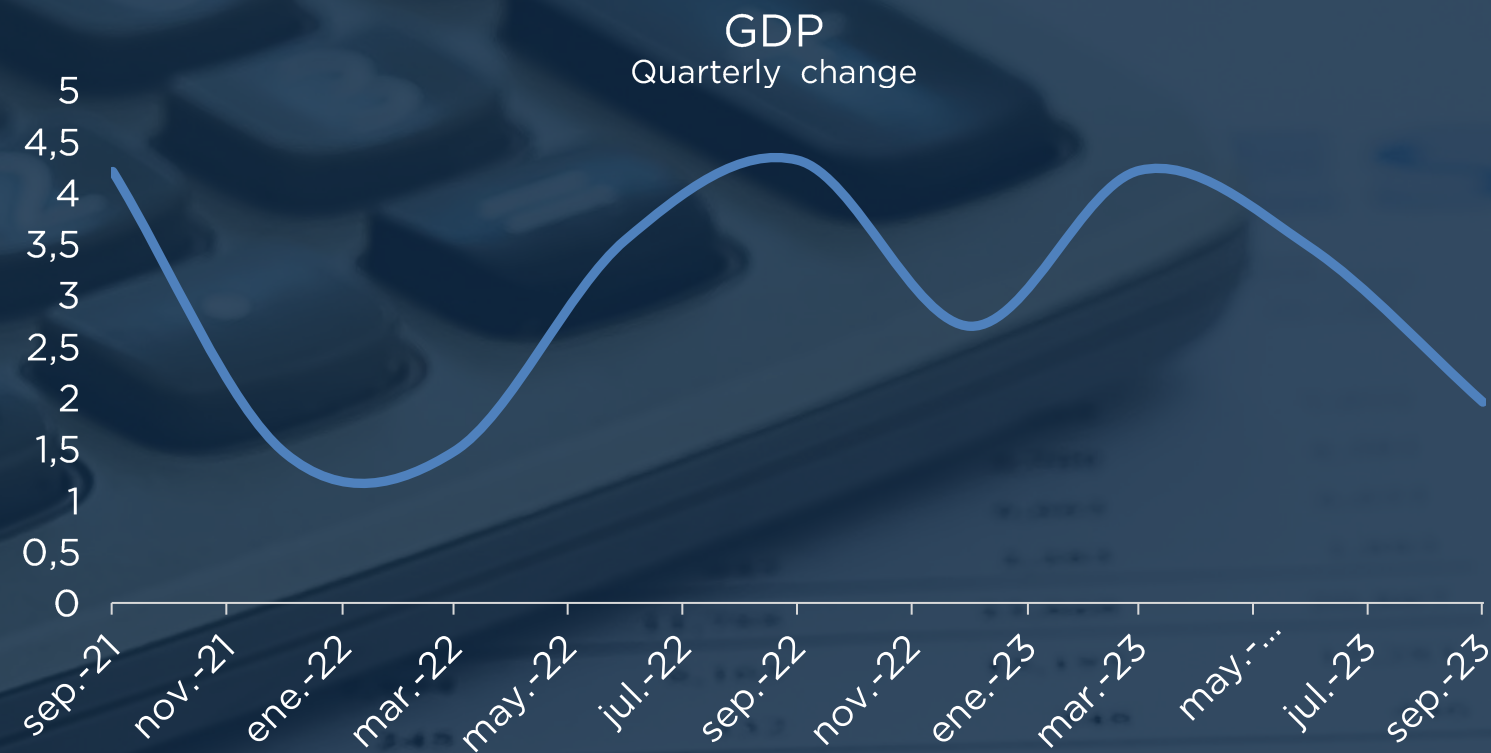
The timely and swift monetary tightening in the region since 2021, coupled with the withdrawal of much of the pandemic-related fiscal stimulus and the reversal of external price pressures, have indeed been of great support and served to help bring inflation on a downward trajectory.

Thus, as pressures on prices become less widespread, core inflation has also started to ease, although it still remains above targets and volatile. The economies of Latin America grew throughout 2023, but with diminishing strength. By the end of the year, the Gross Domestic Product (GDP) growth rate for the region is projected to have increased by 2.1%, according to the latest report from the Economic Commission for Latin America and the Caribbean (ECLAC). This figure represents a decline compared to the results of 2022 but is higher than the projected growth for 2024, which is expected to be at 1.8%.

As we see throughout this report, the region is on a path of deceleration, reflecting, in part, the subdued dynamics of global economic growth and trade that limit the region's momentum from the world economy.

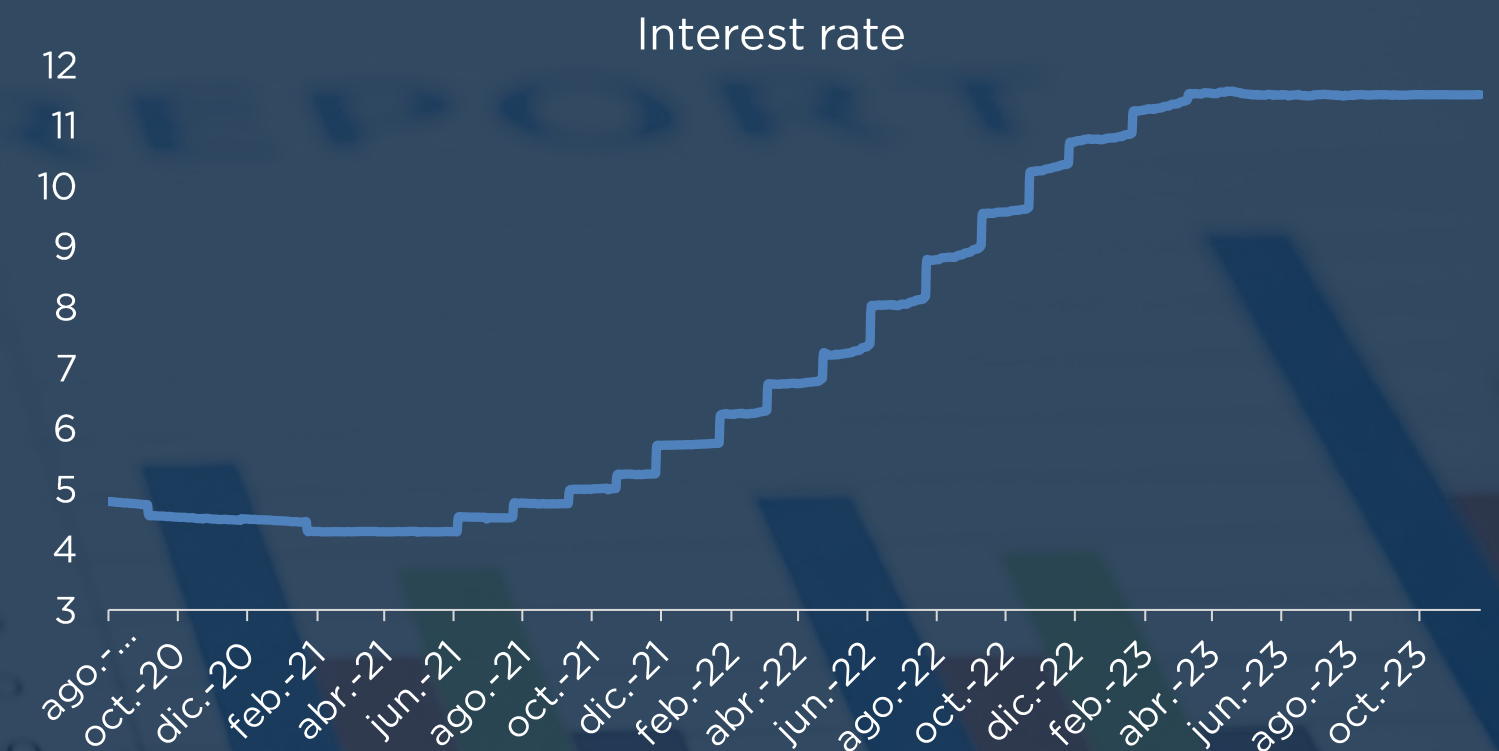
The good news is the well-executed efforts by the central banks in the region and the market's response as a result of confidence in that management. As a result, inflation is gradually converging towards the targets set by the central banks.

Brazil



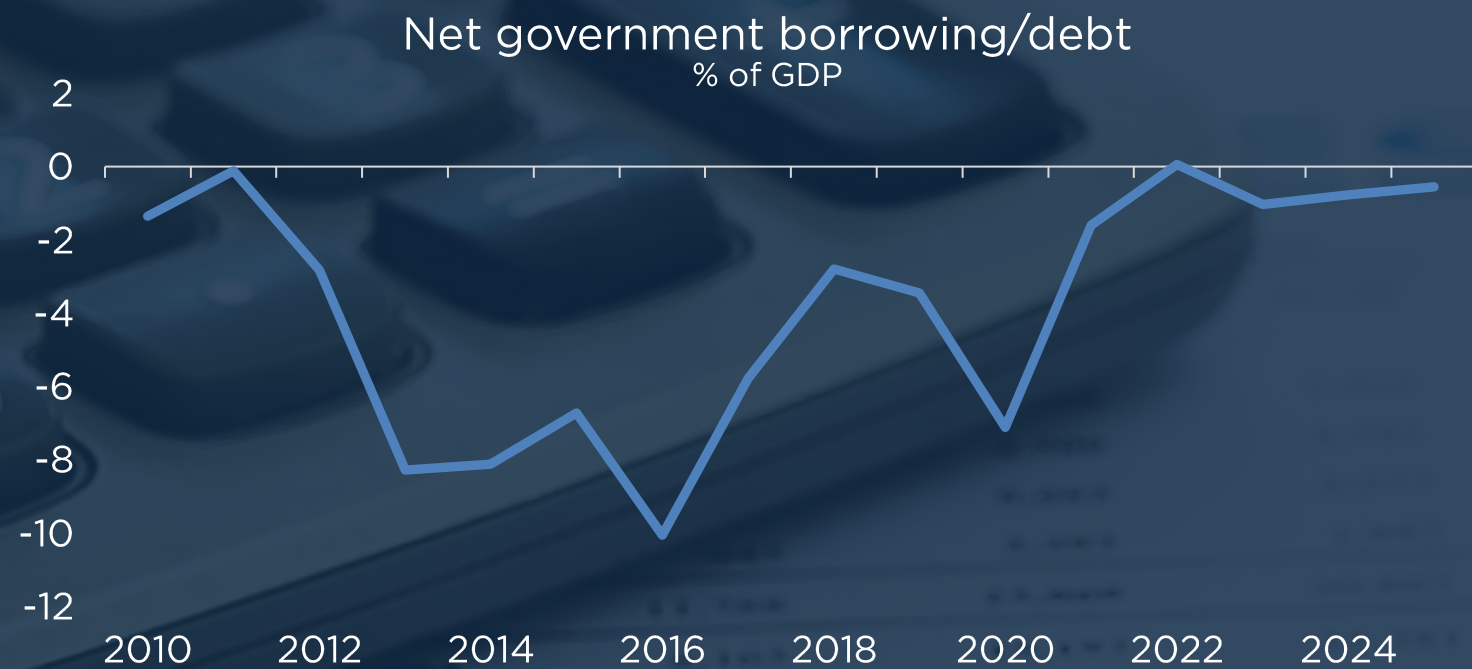
- Brazil's economic growth remains surprisingly strong, although there is some evidence of a slowdown in activity throughout the year. Data at the close of September shows that the GDP expanded by 0.6% compared to the second quarter (saar), the slowest growth rate this year, primarily driven by the recovery of agricultural investment and the weakness in private investments, as anticipated. Meanwhile, on a year-on-year basis, the output increased by almost 2% compared to the same quarter in 2022, according to IBGE.
- This data reflects an increase in household consumption (1.1%) and a better performance in sectors such as services and industry. However, agricultural activity showed a decline.
- Nevertheless, amidst a backdrop of high-interest rates that tend to cool the economy, Brazil's growth has surprised the market.

Mexico



- Since the COPOM (Monetary Policy Committee) decided to make a turn in November and hinted that rate cuts could be expected sooner rather than later, the new information has been mixed. In fact, in November, overall inflation accelerated to 4.32%, a figure higher than the previous October due to the increase in the prices of basic foods.
- Maintaining its commitment to economic stability, the Board of Governors of the Bank of Mexico decided to keep the target for the Interbank Interest rate at 11.25% in its meeting on December 14, a level that has remained constant since March 2023 and maintains a historical high.
- The central bank's estimates indicate that inflation will return to Banxico's target range in the third quarter of the following year.

Ecuador



- The ex-post evaluation of the IMF's FEP program in 2020 (expired in December 2022) yielded a significant conclusion: placing greater emphasis on the composition and quality of fiscal consolidation within the program framework could have helped reduce the fiscal deficit. With this, the Ecuadorian government undergoes an IMF review and highlights fiscal policy to reduce debt.
- According to the IMF: "The successful debt exchange with external bondholders has provided substantial liquidity relief to Ecuador. The authorities have also secured financing assurances from official creditors and commitments from international financial institutions and are committed to complementing them with an ambitious yet realistic fiscal consolidation as the recovery solidifies."

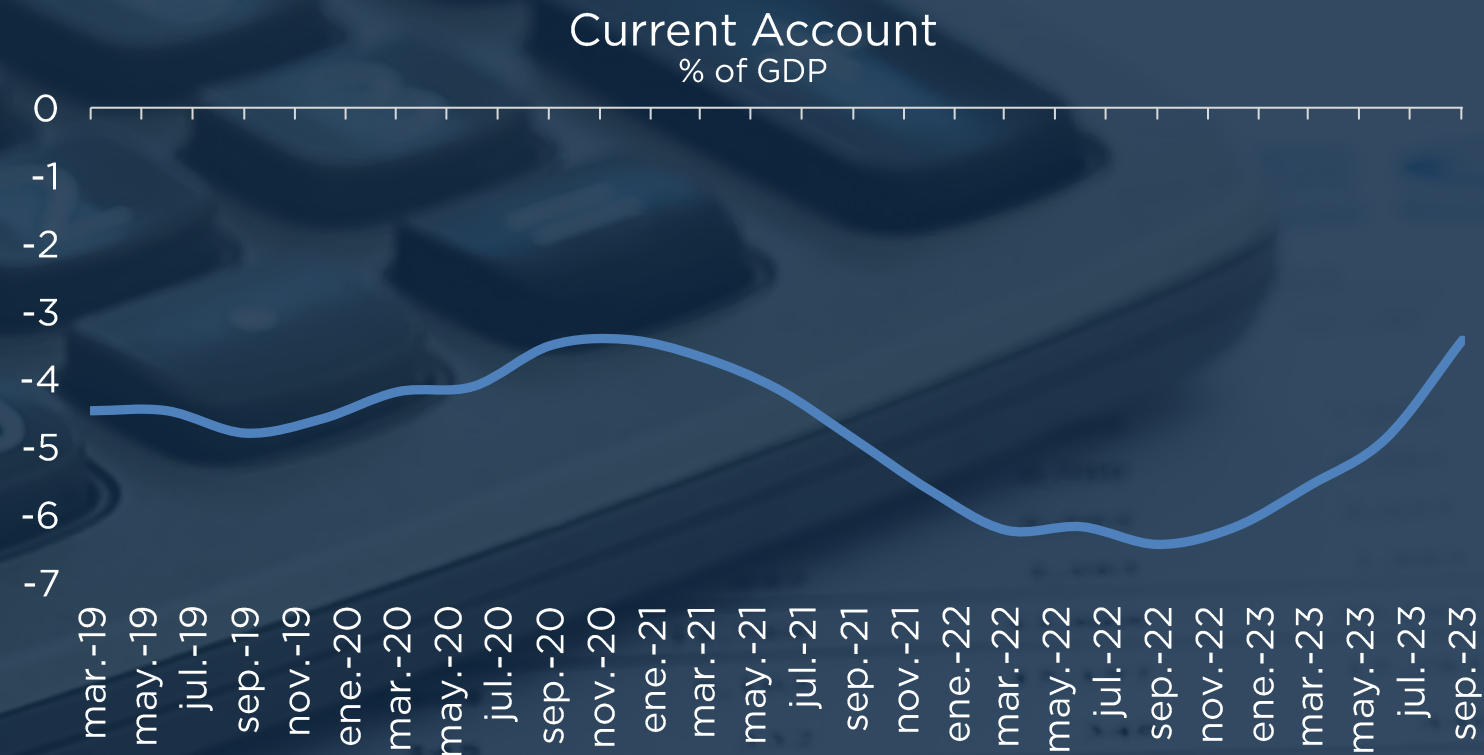
Source: Bloomberg,. Data as of 12/15/2023

Bolivia



- Bolivia will end 2023 as the second Latin American country with the highest "country risk" index, only behind Venezuela, according to the monthly report from Bloomberg, based on data from the rating agency JP Morgan. The country surpassed 2,100 points, ahead of Ecuador and Argentina.
- The sovereign spread (risk) quadrupled in Bolivia in 2023, while in Ecuador, it doubled. Argentina, which was the second-highest country risk in the region, saw an improvement in the price of its bonds following the outcome of the presidential elections.
- On November 23, the international credit rating agency Standard & Poor's (S&P) downgraded Bolivia's rating from "B-/B" to "CCC+/C" due to factors such as limited liquid international reserves, high fiscal deficits, and limited transparency regarding the Central Bank's assets, increasing risks for debt servicing.

Colombia



- The current account deficit of Colombia's balance of payments decreased by 28.4% in the third quarter compared to the same period last year, amounting to \$1.68 billion.
- This deficit was in contrast to the \$6.194 billion recorded between July and September of the previous year, as well as the \$2.345 billion in the second quarter. The reduction in the current account deficit, which records the real and financial flows that the country exchanges with the rest of the world's economies, is primarily attributed to the reduction of the deficit in the balance of goods and services, as reported by the Central Bank.

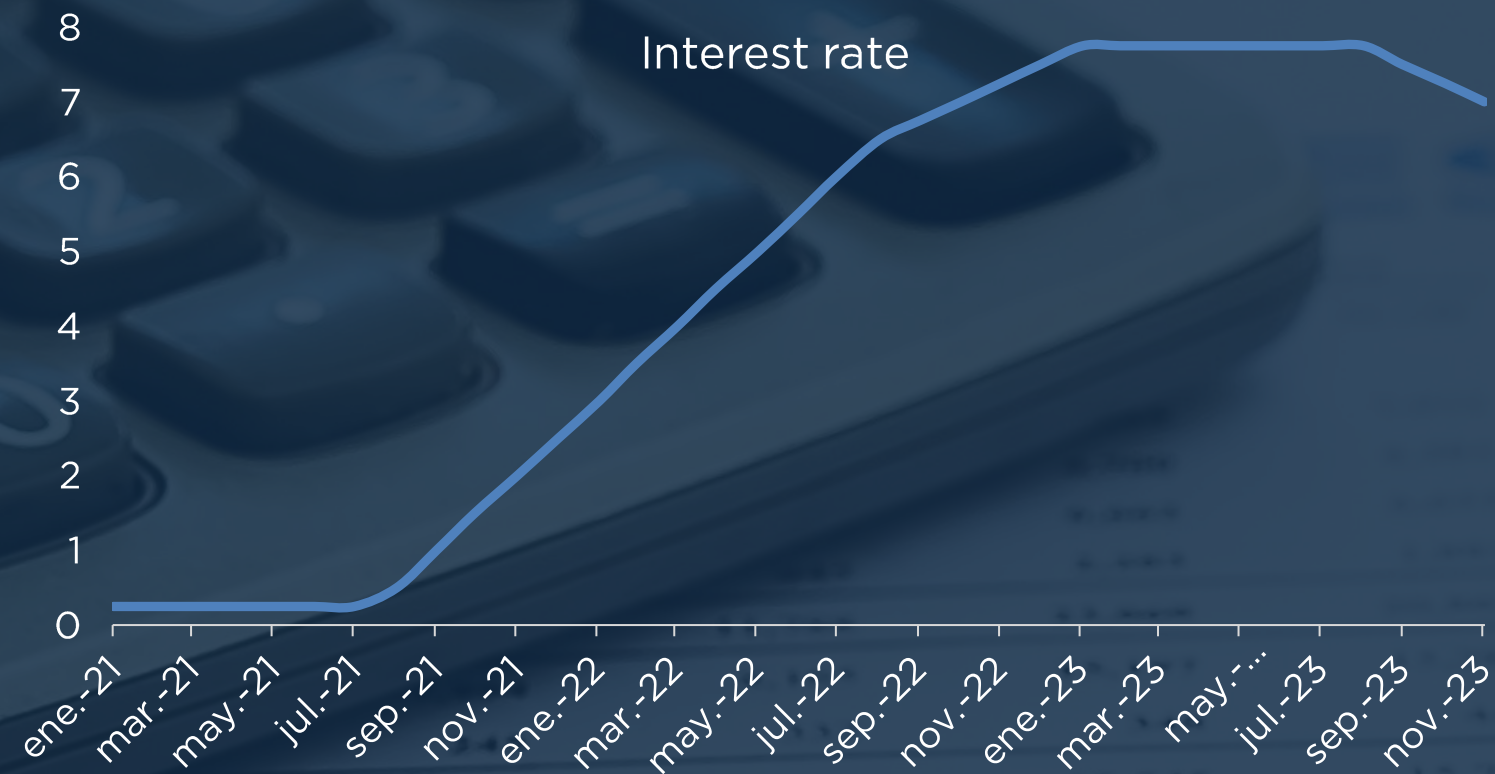
Source: Bloomberg,. Data as of 12/15/2023

Paraguay



- Inflation in Paraguay was 0.4% in November, below the 0.7% recorded in the same month of 2022. According to a report by the Central Bank of Paraguay (BCP), the cumulative inflation reached 3.4%, lower than the 8.3% Consumer Price Index registered in the same period last year.
- On the other hand, the year-on-year inflation (November 2023 versus November 2022) stands at 3.2%, a percentage lower than the 8.3% recorded in November of the previous year. In October, this percentage had been 3.5%.
- The cost of living in November was influenced by increases in the prices of some foods and services. However, the central bank highlighted that the results were "mitigated" by the reduction in the cost of fuels and beef.

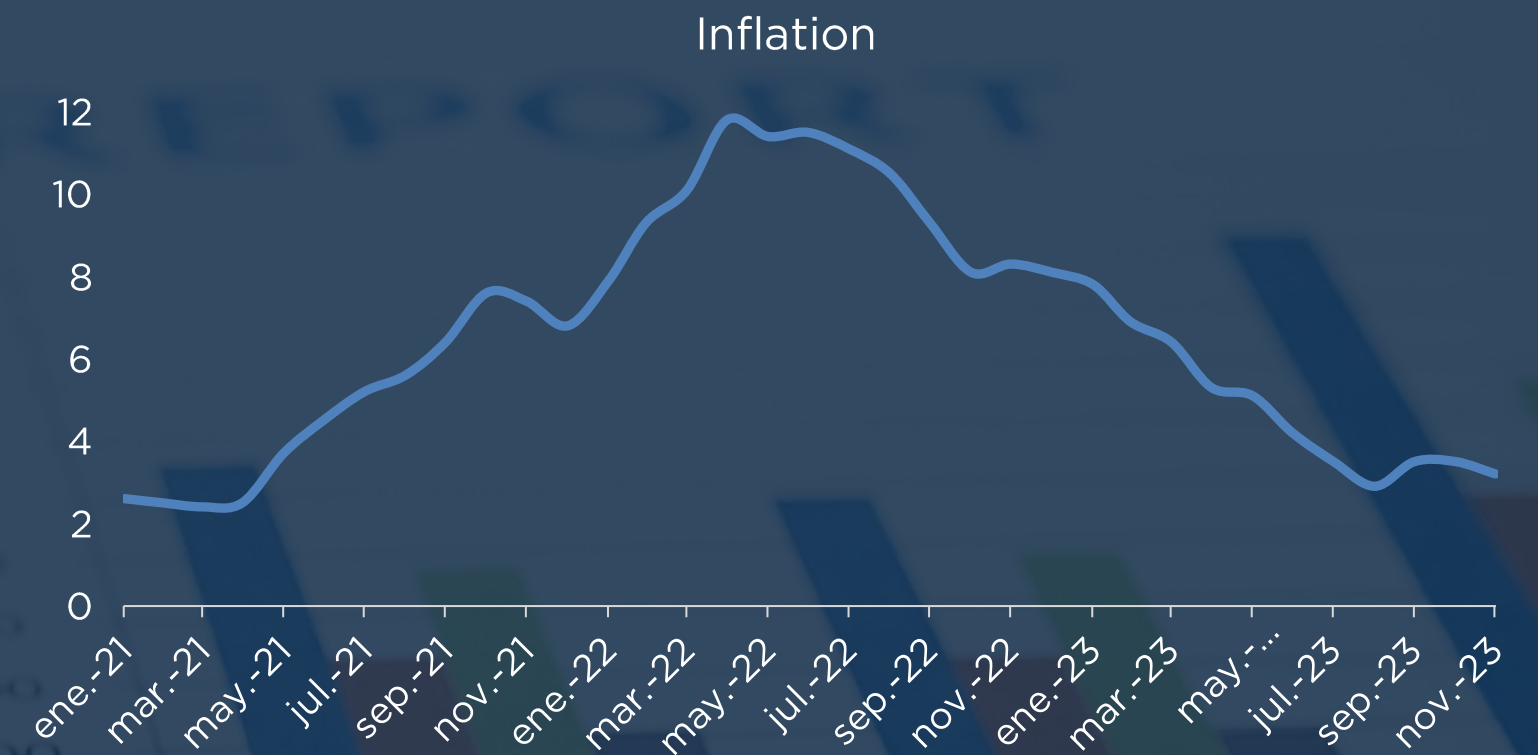
Peru



- The Central Reserve Bank of Peru reduced its key interest rate to 6.75% on Thursday, December 14, down from the previous 7.00%, marking its fourth consecutive monthly decrease as the mining-dependent country grapples with an economic recession. The decision aligned with the forecasts of analysts surveyed by Bloomberg. The Central Bank stated that future adjustments would be contingent on new information regarding inflation. The decline in activity and weak domestic demand, in line with a recessionary economy and an increasingly negative output gap, suggest a greater flexibility in monetary policy.

Source: Banco Central de Reserva del Perú. Bloomberg,. Data as of 12/15/2023

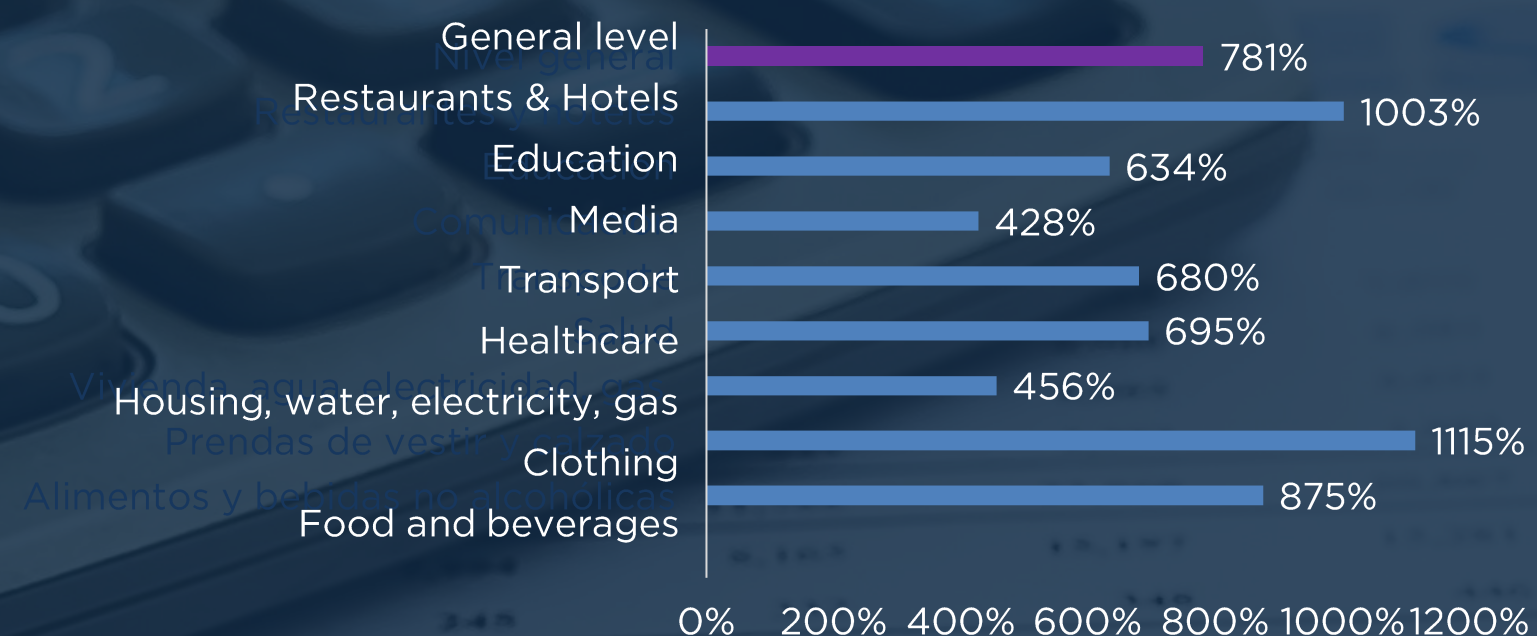
Chile



- When everything seemed to indicate that concerns about inflation in Chile were beginning to ease, and the market was internalizing that the rise in prices would moderate towards the end of the year, the Consumer Price Index (IPC) made it clear that certain upward pressures still persist. The surprising 0.7% increase in the November IPC alerted the market, which had expected a slight rise around 0.2% for the month.
- However, the unexpected rise in the November IPC was viewed calmly by the market, which believes it is a specific effect and that it will continue to decrease towards the end of the year. In general terms, several analysts estimated that it is due to the combination of transitory factors that created a perfect storm in the month, but the speed of prices will continue to move in the right direction in the coming months.

Argentina

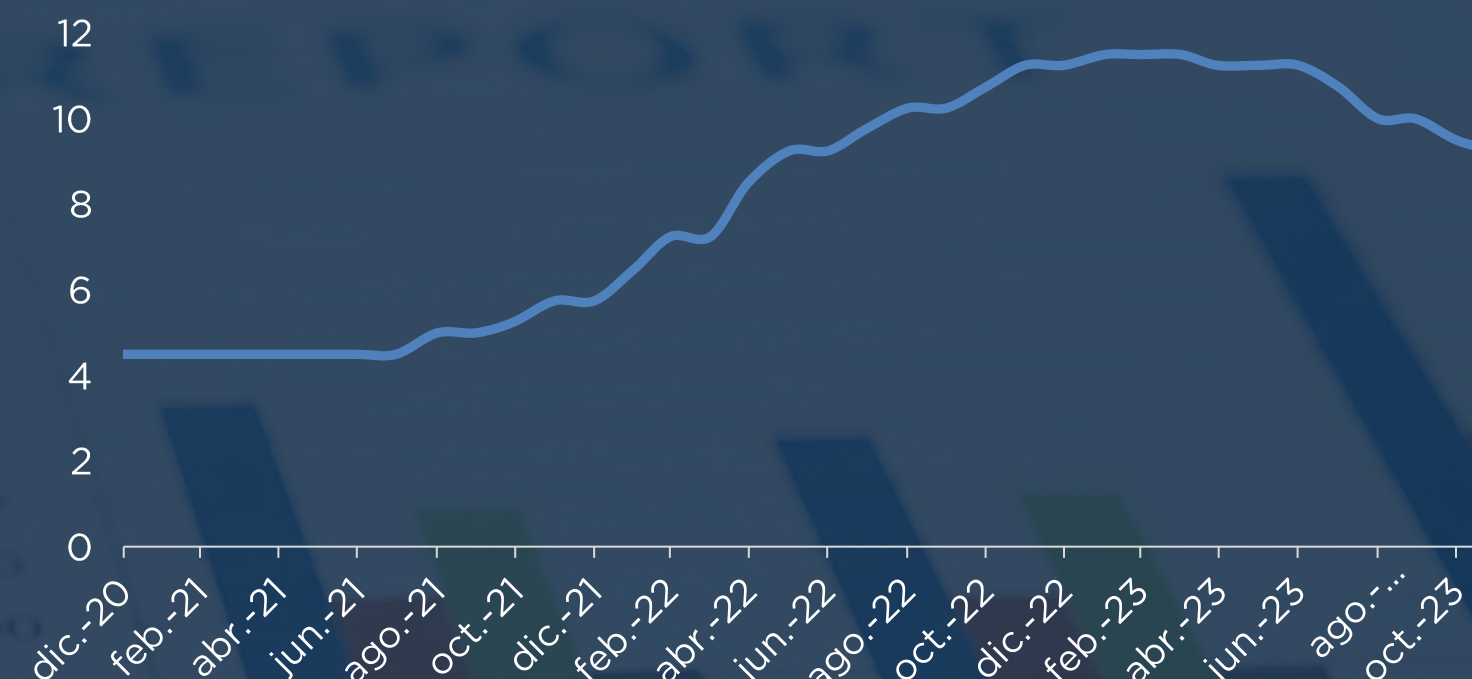
Accumulated inflation
Dec-19/Oct-23



- The popularity of the new president has been closely tied to his promise to address a persistent issue in Argentine society: inflation. From what we know so far, the core of the economic program is the restructuring of the accounts of the National Public Sector and the Central Bank. This would have two effects: firstly, it would cut the source of monetary issuance, which is one of the generators of inflation. Secondly, in the long run, it would allow for a strengthening of public policies.
- In this regard, the performance of his government will be largely assessed based on its ability to confront this challenge. Despite this, the president has already stated that positive results will not be seen until 2025, considering the inflationary inertia and the necessary correction of relative prices that must be carried out.

Uruguay

Interest rate



- The Monetary Policy Committee (Copom) of the Central Bank of Uruguay decided on a new reduction of the reference interest rates, contrary to market expectations, given the behavior of peso-denominated bonds in recent days, which suggested they would remain at the same level.
- In this way, the Copom set the Monetary Policy Rate at 9.25%, even though in the previous meeting, it had hinted that it was at a level close to concluding the easing cycle, at least until inflation expectations decrease and align with the target range.



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