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Week Ahead in Latin America | Latin America

LatAm monetary policy: what if the Fed hikes?

This week, we focus on how we expect central banks in LatAm to react to a Fed-hiking scenario. Next week, focus on monetary policy meetings for Brazil and Chile; and Mexico's 1Q26 GDP.

LatAm in focus… *Although our US colleagues do not expect further Fed hikes in their baseline, markets have increasingly moved to price additional tightening. In this note, we discuss how Latin American central banks would likely react under such a scenario. Our view is that domestic conditions would continue to dominate monetary policy decisions across the region. In Brazil, a Fed hike would likely reinforce a pause in the easing cycle rather than trigger rate hikes. In Mexico, Banxico would likely remain on hold as long as MXN depreciation remains limited and inflation expectations stay anchored. In the Andeans, Colombia is the country most likely to continue tightening given still-elevated inflation and resilient domestic demand, while Chile and Peru would likely remain patient unless a prolonged Fed-hiking cycle generates meaningful FX pressures or second-round inflation effects. Overall, Fed tightening would raise the bar for further easing, but would not necessarily imply a synchronized tightening cycle across Latin America.*

Exhibit 1: A Fed-hiking scenario would imply different central bank responses in LatAm

	Monetary policy rate		Central bank *bias*	
	2026E	2027E	Base case	Fed-hiking scenario
Brazil	14.00%	11.00%	On hold	On hold
Mexico	6.50%	6.50%	On hold/ Dovish	On hold
Chile	4.50%	4.50%	On hold	On hold/ Hawkish
Colombia	13.75%	13.75%	On hold/ Hawkish	Hawkish
Peru	4.25%	4.25%	On hold	Hawkish

Source: Morgan Stanley LatAm Economics

Last week in LatAm… In Brazil, fiscal noise picked up as Congress continues to discuss bills with the potential for a significant negative fiscal impact in the next years. In Mexico, 2H May CPI printed at -0.13%, below consensus and our expectations, driven almost entirely by non-core components, particularly a sharp decline in tomato prices. In Argentina, May CPI slowed to 2.1% m-o-m, while core eased to 1.9% m-o-m. Moreover, S&P upgraded Argentina's foreign- and local-currency ratings to B-/B from CCC+/C. In Chile, May CPI rose 0.17% m-o-m, below expectations, reflecting a smaller-than-expected energy contribution and continued weakness in food prices. In Colombia, May CPI printed at 0.47% m-o-m (5.84% y-o-y); downside surprise was concentrated in food, while core inflation excluding food and regulated items stayed elevated. Also, latest AtlasIntel survey shows de la Espriella ahead with 52.2% of voting intention vs. Cepeda at 44.5%. In Peru, with 98.239% of voting tallies processed Fujimori held a narrow lead over Sanchez, at 50.002% vs. 49.998%. BCRP kept rates on hold at 4.25% (see more in Beyond the Headlines).

Next week in LatAm… Focus on monetary policy meetings for Brazil and Chile; Mexico's 1Q26 GDP; April economic activity index for Peru, Colombia and Brazil; and Argentina's fiscal balance (see Exhibit 9 for full calendar).

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Exhibit 2: Next week in LatAm (calendar summary)

Monday, June 15, 2026	Period	MS forecast	Consensus	Last[2]	Comment
Peru					
Economic activity	Apr	-	-	3.2% y-o-y	
Unemployment rate	May	-	-	5.30%	
Tuesday, June 16, 2026	**Period**	**MS forecast**	**Consensus**	**Last[2]**	**Comment**
Chile					
Monetary policy meeting	-	4.50%	-	4.50%	We expect BCCh to be on hold amid favorable CPI prints
Wednesday, June 17, 2026	**Period**	**MS forecast**	**Consensus**	**Last[2]**	**Comment**
Brazil					
Monetary policy meeting	-	14.25%	14.25%	14.50%	We expect the BCB to cut rates by 25bp and to signal the possibility of a pause at the following meeting
Economic activity index (IBC-Br)	Apr	-	-	3.1% y-o-y	
Colombia					
Consumer confidence	May	-	-	13.70	
Thursday, June 18, 2026	**Period**	**MS forecast**	**Consensus**	**Last[2]**	**Comment**
Argentina					
Consumer confidence	Jun	-	-	40.14	
Colombia					
Economic activity index	Apr	-	-	4.0% y-o-y	
Mexico					
GDP - supply and demand	1Q26	-	0.2% y-o-y	1.7% y-o-y	

Notes: "-_ denotes n/a; [1]Earliest possible release date; [2]Last published data by a non-Morgan Stanley source. Source: Morgan Stanley LatAm Economics

LatAm monetary policy: what if the Fed hikes?

Seth Carpenter, Fernando Sedano, Ana Madeira, Thiago Machado, Nicolas Eterovic, Julia Lobato

Although our US colleagues do not expect further Fed hikes in their baseline, markets have increasingly moved to price additional tightening. In this note, we discuss how Latin American central banks would likely react under such a scenario. Our view is that domestic conditions would continue to dominate monetary policy decisions across the region. In Brazil, a Fed hike would likely reinforce a pause in the easing cycle rather than trigger rate hikes. In Mexico, Banxico would likely remain on hold as long as MXN depreciation remains limited and inflation expectations stay anchored. In the Andeans, Colombia is the country most likely to continue tightening given still-elevated inflation and resilient domestic demand, while Chile and Peru would likely remain patient unless a prolonged Fed-hiking cycle generates meaningful FX pressures or second-round inflation effects. Overall, Fed tightening would raise the bar for further easing, but would not necessarily imply a synchronized tightening cycle across Latin America.

What could drive the Fed to hike…

The market has moved to price a 25bp hike from the Fed this year, while our base case is for no change in the policy rate at least through the beginning of next year. Rate hikes from the Fed traditionally have implications for global markets and thereby for other central banks. The path to a rate hike for the Fed from here is fairly clear. If core inflation does not fall materially from close to 3% y/y for core PCE inflation and if growth remains robust at or above 2½ a.r. a rate hike will become the most likely outcome. Our baseline assumes roughly 70bps of disinflation as the tariff effects fade, and we assume some drag on consumer spending from higher oil prices. This week's CPI data suggest we could still be right on inflation, but last week's nonfarm payrolls report shows some underlying strength in the real economy.

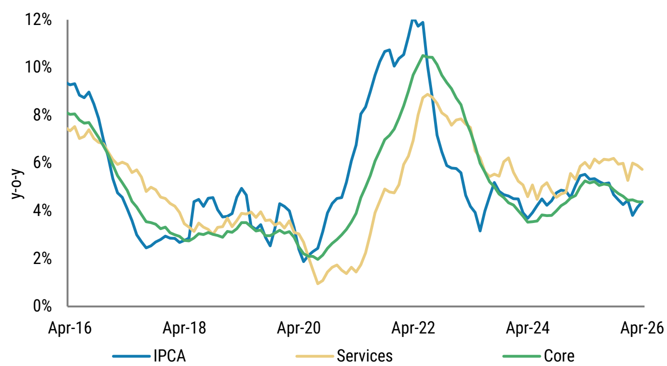
The Fed has been less prone to hiking rates than other DM central banks. The ECB [just raised] its policy rate because the energy shock has clearly driven inflation higher. With a single mandate, the likely hit to growth is of secondary importance to the ECB, and so its policy tightening will likely weigh further on growth. ECB rate hikes are exogenously tighter conditions in the face of softer growth. For the Fed, a rate hike would likely come because of sustained inflation, but the growth component is also key. Consequently, a Fed hike would come in the context of stronger, not weaker, growth. That fact should be key to asset markets, but it also has implications for other central banks. Those with growth highly correlated to the US will face a different situation than those who would not benefit from the faster US growth.

… and if the Fed hikes, how would LatAm CBs react?

For Brazil, we continue to see a limited risk that BCB hikes rates this year even in a Fed-hiking scenario. Momentum in Brazil in the past weeks was already favoring a more hawkish response by the BCB, and the recent rise in risks for higher Fed funds simply fueled that momentum. The strong market move – that is now pricing hikes in Brazil –

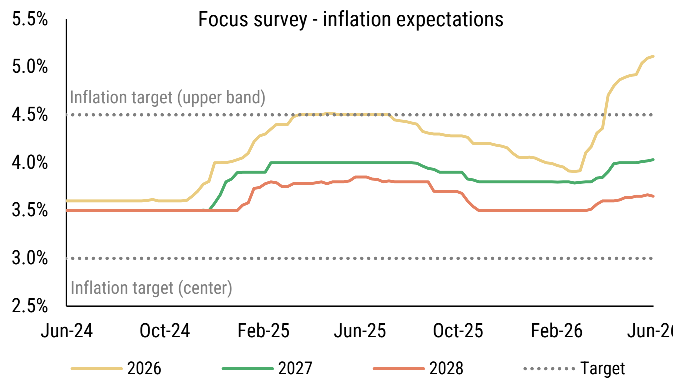
could lead to a further de-anchoring in inflation expectations if BCB decides to continue the easing beyond next meeting. Therefore, we have changed our call for rates on hold after next week's meeting – our new rates path still considers a 25bp cut at the June meeting but now followed by a pause, with easing resuming only in December and Selic reaching 14.00% by year-end (vs 13.00% before). Yet, the bar remains high for the hawkish stance to turn into rate hikes because the macro scenario does not validate such a significant change in BCB strategy, in our view. For one, the upside surprises to inflation have not been that significant and ultimately have been concentrated on non-core groups, such as food inflation – core and services inflation have actually come roughly in line with expectations and are both decelerating on an annual basis (Exhibit 3). On inflation expectations, they have indeed moved higher, but less so than before the previous meeting and seem to be stabilizing at the margin – one would assume that with the BCB now expected to signal a pause, inflation expectation would not move further up (Exhibit 4). And finally, activity wise, data have been mixed with some indicators pointing to resiliency, but others continue to validate an overall deceleration vs 2025.

Exhibit 3: Services and core inflation trending lower despite higher headline CPI



Source: IBGE, Morgan Stanley LatAm Economics

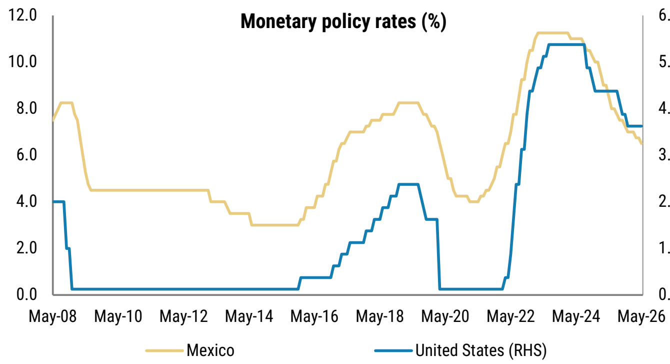
Exhibit 4: Inflation expectations deterioration stabilizing for 2027 and 2028



Source: BCB, Morgan Stanley LatAm Economics

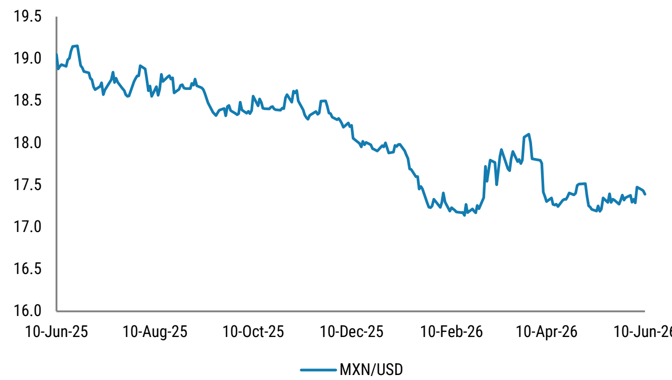
In the event of Fed tightening, the bar for Banxico hikes is also high. It is important to bear in mind that the recent easing cycle was largely driven by a strong currency and weak activity, which limited the emergence of second-round effects from supply shocks. That backdrop does not appear to be changing: with GDP contracted in 1Q26, the economy continues to operate with a negative output gap, and core inflation metrics have improved. With USMCA-uncertainty having more impact on growth dynamics than on asset prices, we expect more of the same going forward. Indeed, in a scenario in which external shocks fade, inflation continues to moderate, growth remains weak, and the Fed eventually cuts, Banxico could actually resume easing later on. Yet, we do not expect Banxico to hike simply because the Fed does. With our strategists forecasting a stable MXN and considering our growth projections through the forecast horizon, we think policymakers will be reluctant to hike rates. The main scenario under which we would expect Banxico hikes is one in which the Fed tightens in response to elevated and persistent inflation, triggering more volatile global financial conditions and a weaker MXN. Even in this scenario, the MXN depreciation will have to be sizable (e.g., USDMXN above 21/22) and fast enough to translate into a deterioration of long-term inflation expectations.

Exhibit 5: Mexico's policy rate remains well above the Fed funds rate



Source: FED, Banxico, Morgan Stanley LatAm Economics

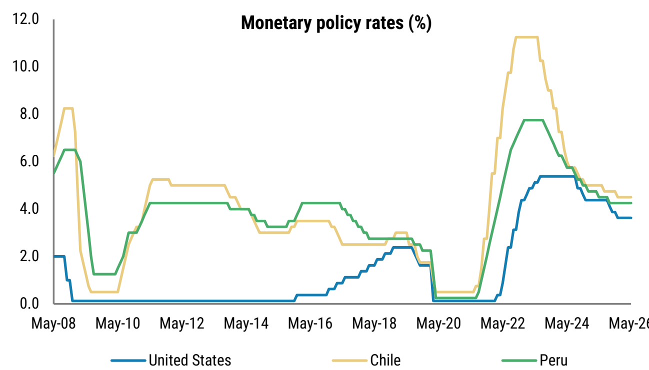
Exhibit 6: MXN strength has persisted despite lower Mexico rates



Source: Banxico, Morgan Stanley LatAm Economics

In the Andeans, a Fed-hiking scenario would reinforce a more cautious and restrictive policy bias, though the implications differ across countries. In Colombia, inflation remains very high and growth is being supported by domestic demand, meaning BanRep is already in a tightening cycle; Fed hikes would strengthen the case for that cycle to continue. The size of the adjustment, however, will depend heavily on the election outcome: a shift toward more orthodox policy and credible fiscal adjustment would likely reduce the amount of tightening needed, while policy uncertainty or fiscal slippage would imply a larger hiking cycle. Chile and Peru look more similar to each other. **In Chile,** the BCCh has already completed its easing cycle and is now in a cautious wait-and-see mode: inflationary pressures have risen following the oil shock, but activity is also losing momentum. **In Peru,** the BCRP is also in a cautious phase, with inflation still high but expectations broadly anchored, and activity growing at a healthy pace but not overheating. Against that backdrop, both the BCCh and BCRP would likely lean against immediate hikes and remain patient for as long as FX pressures and inflation expectations allow. Still, a persistent Fed-hiking cycle would raise the risk that both central banks eventually have to shift toward gradual tightening, particularly if currencies weaken or second-round inflation risks become more visible.

Exhibit 7:
Chile and Peru policy rates have moved lower and are now on hold



Source: FED, BCCh, BCRP, Morgan Stanley LatAm Economics

Exhibit 8: A Fed-hiking scenario would imply different central bank responses in LatAm

	Monetary policy rate		Central bank *bias*	
	2026E	2027E	Base case	Fed-hiking scenario
Brazil	14.00%	11.00%	On hold	On hold
Mexico	6.50%	6.50%	On hold/ Dovish	On hold
Chile	4.50%	4.50%	On hold	On hold/ Hawkish
Colombia	13.75%	13.75%	On hold/ Hawkish	Hawkish
Peru	4.25%	4.25%	On hold	Hawkish

Source: Morgan Stanley LatAm Economics

Beyond the Headlines

Brazil

- **Election polls continue to show an advantage for President Lula |** The Genial/Quaest poll shows Lula leading in a 1st round with 39% of voting intentions (unchanged from previous poll) followed by Flavio Bolsonaro at 29% (from 33% in May), while all other potential candidates remain in single digits. In a stimulated runoff, Lula has widened his lead to 44% (up from 42%) against Flavio at 38% (from 41%). The biggest change compared to the previous Genial/Quaest poll is that independent voters are now more willing to vote for Lula instead of Flavio. **Signal:** Incumbent has been leading in recent polls, after right-wing candidate vote intentions decline mid-May.
- **More fiscal measures on the radar |** Senate speaker met with Finance Ministry to address a set of congressional proposals that could generate a negative fiscal impact exceeding BRL270bn over the next years. Measures include the renegotiation of rural debt (BRL120bn), a proposal granting full retirement benefits to community health agents (BRL99bn), and a higher national wage floor for doctors and dentists (BRL47bn), alongside additional initiatives like increased transfers to municipalities (BRL10bn). **Signal:** The government is seeking to contain or at least delay these proposals, given their potential to worsen fiscal dynamics and hamper budget management.

- **Next week's focus:** *Monetary policy meeting (Wednesday) – we expect BCB to deliver a 25bp cut with Selic at 14.25% – April retail sales (Tuesday) and economic activity index (Wednesday).*

Mexico

- **CPI surprises lower driven by a partial reversal of agricultural pressures |** Mexico's 2H May headline CPI printed at -0.13%, below consensus and our expectations, while core inflation came in at 0.08%. The downside surprise was driven almost entirely by non-core components, particularly a sharp decline in tomato prices, while energy prices were broadly neutral. Core inflation remained contained, with goods showing no meaningful pass-through effects and services moderating. **Signal:** The data continue to point to relatively contained underlying inflation pressures. While Banxico remains in pause-and-monitor mode, we believe cuts could resume if inflation continues to moderate, growth remains weak, external shocks fade, and the Fed eventually eases.
- **USMCA headlines point to prolonged negotiations |** Recent USMCA-related headlines continue to suggest an extended negotiation process, with the possibility of recurring annual reviews becoming increasingly likely. This scenario would delay a comprehensive resolution and prolong uncertainty around the trade framework. **Signal:** We expect USMCA-related uncertainty to linger for longer, weighing on investment and helping explain our subdued growth outlook. A prolonged review process would make an investment-led recovery more difficult to achieve.

- **Next week's focus:** *1Q26 GDP demand details (Thursday) – we expect GDP at 0.2% y-o-y, mainly supported by private consumption.*

Argentina

- **May CPI supports disinflation narrative |** May headline CPI slowed to 2.1% m-o-m (33.2% y-o-y), below both consensus and April's 2.6% print. Core inflation eased to 1.9% m/m, while recent food-related pressures, particularly from meat prices, moderated significantly. Regulated prices continued to exert upward pressure, led by transportation, healthcare, telecommunications, and education. **Signal:** The print is consistent with our view that disinflation is resuming after recent oil- and food-related shocks. As inflation moderates, real wages should stabilize and gradually recover in 2H26, supporting sentiment, credit growth, and a more broad-based economic recovery over time.
- **S&P upgrades Argentina to B- |** S&P upgraded Argentina's foreign- and local-currency ratings to B-/B from CCC+/C, driven by stronger fiscal performance, reduced macroeconomic imbalances, improved external liquidity, and progress on reserve accumulation. The move follows Fitch's upgrade to B- in May, making S&P the second major agency to move Argentina out of the CCC category. **Signal:** Positive for credit, investor confidence, and a key milestone for market access.
- **Weak April growth prints |** After a strong March, industrial production printed at -2.1% m-o-m in April (-2.8% y-o-y), while construction activity declined 4.1% m-o-m (-2.8% y-o-y). Signal: Activity data are likely to remain mixed in the near term, but we continue to think growth is nearing an inflection point. We expect a gradual recovery led by exports and investment, with consumption improving later as disinflation and credit conditions support purchasing power.
- **Government expands USD bond issuance for BCRA swap |** The government increased the issuance cap of its local-law USD bonds by up to USD 7.5 billion and authorized a swap with the BCRA involving inflation-linked Treasury notes. **Signal:** The operation is widely seen as aimed at providing the central bank with additional collateral for repo transactions and refinancing upcoming external obligations. Positive for liquidity management and reserve accumulation efforts.
- **BCRA buying dollars |** After buying USD 45 million last Friday, BCRA bought another USD 386 million so far this week, accumulating USD 10.6 billion since the inception of the FX purchase program. **Signal:** Authorities are overdelivering on the FX purchase program and already reached the USD 10 billion mark by 2Q26. Positive to strengthen the FX reserve position, a key element for the macro narrative.

- **Next week's focus:** *May fiscal balance (Wednesday), trade balance (Friday), and June consumer confidence (Friday).*

Chile

- **May CPI surprises to the downside |** Chile's May CPI rose 0.17% m-o-m, below expectations and sharply slower than April's 1.29%, bringing annual inflation slightly down to 3.93%. The downside surprise reflected a smaller-than-expected energy contribution and continued weakness in food prices, suggesting limited spillovers from the fuel shock. Core CPI remained contained at 0.19% m-o-m, although services continued to be the main source of persistence. **Signal:** The print gives BCCh some breathing room, as inflation has behaved better than feared following the fuel shock, with limited evidence of broader spillovers. We continue to expect the BCCh to keep rates on hold for the remainder of the year.

- **Minimum wage bill advances to Senate plenary |** Chile's Senate Finance Committee approved the minimum wage bill, sending it to a plenary vote. The initiative raises the minimum wage retroactively to CLP 553,553 from May 1, 2026, a 2.7% increase, with a further adjustment from January 2027 based on accumulated CPI between May and December 2026. The CUT did not endorse the proposal, arguing that the increase falls short of cost-of-living pressures, and presented complementary measures including changes to profit-sharing rules and VAT relief on medications. **Signal:** The macro impact should be limited, though the debate highlights ongoing tensions between wage gains and cost-of-living pressures.
- **Treasury sets 2026-2030 fiscal consolidation path |** Chile's Treasury published the government's fiscal policy decree, setting a gradual structural deficit reduction from 2.6% of GDP in 2026 to 1.5% by 2030, with the largest adjustment concentrated in the first year. The decree maintains the 45% of GDP prudential ceiling for Central Government gross debt and incorporates a methodological change recommended by the CFA to correct structural revenue calculations when copper prices exceed expert-committee projections. **Signal:** The decree reinforces the government's commitment to fiscal consolidation, though credibility will depend on the implementation of spending restraint and revenue measures.

- **Next week's focus:** *Monetary policy meeting (Tuesday) – we expect the BCCh to remain on hold.*

Colombia

- **Headline CPI softer, but core pressures persist |** Colombia's May CPI printed at 0.47% m-o-m, below consensus and our expectations, though annual inflation rose to 5.84% y-o-y. The downside surprise was concentrated in food, which was flat on the month, while housing-related services and fuel prices remained key contributors. Core inflation excluding food and regulated items stayed elevated at 0.50% m-o-m, with services and indexed categories continuing to show persistence. **Signal:** The softer headline print does little to change the inflation picture, as underlying pressures remain elevated and concentrated in services, indexed items, and regulated prices. This reinforces the view that inflation has not yet plateaued and supports the case for additional BanRep hikes.
- **De la Espriella extends runoff lead in AtlasIntel poll |** The latest AtlasIntel survey, conducted June 5-10, shows Abelardo de la Espriella ahead with 52.2% of voting intention, up 1.9pp from the previous poll, versus Ivan Cepeda at 44.5%, also up 1.9pp. The rejection gap narrowed, with Cepeda's rejection rate at 51.7% and De la Espriella's at 46.6%. **Signal:** The poll suggests De la Espriella enters the runoff with an advantage, supported by voting intention and lower rejection.

- **Next week's focus:** *April industrial production, retail sales (Tuesday), May consumer confidence (Wednesday), and April economic activity index (Thursday).*

Peru

- **Runoff remains too close to call as official count advances |** With 98.239% of voting tallies processed as of 15:08 Lima time on June 11, Keiko Fujimori held a narrow lead over Roberto Sanchez, at 50.002% versus 49.998%, equivalent to a margin of around 759 votes. Both campaigns have called on party volunteers to defend votes through the tally-challenge process, with final adjudication potentially extending into July. **Signal:** The remaining uncertainty is now concentrated in the adjudication of challenged tallies rather than the ordinary vote count. While current trends suggest a slight advantage for Fujimori, the margin remains extremely narrow and the final outcome is still uncertain.
- **BCRP keeps policy rate unchanged at 4.25% |** The BCRP kept its policy rate unchanged at 4.25%, citing a moderation in inflation, with May CPI falling 0.16% m-o-m and annual inflation easing to 3.9%. Inflation expectations remain anchored within the target range at 2.9%, while recent surveys showed a recovery in most business expectations indicators and continued strength in economic activity. The Board reiterated that recent inflation pressures are largely driven by temporary supply shocks and should fade over the policy horizon. **Signal:** The decision reinforces our view that the BCRP remains comfortably on hold. The improvement in recent inflation data and the recovery in expectations support the central bank's assessment that inflation will gradually converge back toward target while activity remains resilient.

- **Next week's focus:** *April economic activity index and May unemployment rate (Monday).*

Calendar

Exhibit 9: Upcoming data releases and events for June 12 - June 19

Friday, June 12, 2026	Period	MS forecast	Consensus	Last[2]	Comment
Brazil					
IPCA	May	0.52% m-o-m	0.53% m-o-m	0.67% m-o-m	
Monday, June 15, 2026	**Period**	**MS forecast**	**Consensus**	**Last[2]**	**Comment**
Peru					
Economic activity	Apr	-	-	3.2% y-o-y	
Unemployment rate	May	-	-	5.30%	
Tuesday, June 16, 2026	**Period**	**MS forecast**	**Consensus**	**Last[2]**	**Comment**
Brazil					
IGP-10	Jun	-	-	0.89% m-o--m	
Retail sales	Apr	-	-	4.0% y-o-y	
Chile					
Monetary policy meeting	-	4.50%	-	4.50%	We expect BCCh to be on hold amid favorable CPI prints
Colombia					
Industrial production	Apr	-	-	2.4% y-o-y	
Retail sales	Apr	-	-	13.4% y-o-y	
Wednesday, June 17, 2026	**Period**	**MS forecast**	**Consensus**	**Last[2]**	**Comment**
Argentina					
Budget balance	May	-	-	ARS 632.8 bn	
Brazil					
Monetary policy meeting	-	14.25%	14.25%	14.50%	We expect the BCB to cut rates by 25bp and to signal the possibility of a pause at the following meeting
Economic activity index (IBC-Br)	Apr	-	-	3.1% y-o-y	
Colombia					
Consumer confidence	May	-	-	13.70	
Thursday, June 18, 2026	**Period**	**MS forecast**	**Consensus**	**Last[2]**	**Comment**
Argentina					
Consumer confidence	Jun	-	-	40.14	
Trade balance	May	-	-	USD 2.71 bn	
Colombia					
Economic activity index	Apr	-	-	4.0% y-o-y	
Mexico					
GDP - supply and demand	1Q26	-	0.2% y-o-y	1.7% y-o-y	

Notes: "-_ denotes n/a; [1]Earliest possible release date; [2]Last published data by a non-Morgan Stanley source. Source: Morgan Stanley LatAm Economics

On the Horizon: Monthly forecasts

Exhibit 10: Monthly forecasts

	Brazil			Mexico			Chile			Colombia			Peru		
	CPI (% m-o-m)	CPI (% y-o-y)	Policy Rates (%)	CPI (% m-o-m)	CPI (% y-o-y)	Policy Rates (%)	CPI (% m-o-m)	CPI (% y-o-y)	Policy Rates (%)	CPI (% m-o-m)	CPI (% y-o-y)	Policy Rates (%)	CPI (% m-o-m)	CPI (% y-o-y)	Policy Rates (%)
Jan-26	0.33%	4.4%	15.00%	0.38%	3.8%	7.00%	0.41%	2.8%	4.50%	1.18%	5.4%	10.25%	0.10%	1.7%	4.25%
Feb-26	0.70%	3.8%	15.00%	0.50%	4.0%	7.00%	-0.01%	2.4%	4.50%	1.08%	5.3%	10.25%	0.69%	2.2%	4.25%
Mar-26	0.88%	4.1%	14.75%	0.86%	4.6%	6.75%	0.96%	2.8%	4.50%	0.78%	5.6%	11.25%	2.38%	3.8%	4.25%
Apr-26	0.67%	4.4%	14.50%	0.20%	4.4%	6.75%	1.29%	4.0%	4.50%	0.78%	5.7%	11.25%	0.52%	4.0%	4.25%
May-26	0.52%	4.7%	14.50%	-0.21%	3.9%	6.50%	0.17%	3.9%	4.50%	0.50%	5.9%	11.25%	-0.16%	3.9%	4.25%
Jun-26	0.28%	4.7%	14.25%	0.15%	3.8%	6.50%	-0.10%	4.2%	4.50%	0.29%	6.1%	12.25%	0.22%	4.3%	4.25%
Jul-26	0.45%	4.9%	14.25%	0.34%	3.9%	6.50%	0.45%	3.8%	4.50%	0.35%	6.1%	12.75%	0.47%	4.6%	4.25%
Aug-26	0.26%	5.3%	14.25%	0.31%	4.1%	6.50%	0.03%	3.8%	4.50%	0.32%	6.3%	12.75%	0.27%	5.2%	4.25%
Sep-26	0.12%	4.9%	14.25%	0.32%	4.2%	6.50%	0.38%	3.7%	4.50%	0.40%	6.4%	13.25%	0.10%	5.3%	4.25%
Oct-26	0.09%	4.9%	14.25%	0.50%	4.4%	6.50%	0.09%	3.8%	4.50%	0.24%	6.4%	13.75%	0.02%	5.4%	4.25%
Nov-26	0.24%	5.0%	14.25%	0.52%	4.2%	6.50%	0.26%	3.8%	4.50%	0.33%	6.7%	13.75%	0.09%	5.4%	4.25%
Dec-26	0.39%	5.0%	14.00%	0.45%	4.4%	6.50%	-0.22%	3.8%	4.50%	0.58%	7.0%	13.75%	0.33%	5.5%	4.25%
Jan-27	0.45%	5.2%	13.50%	0.38%	4.4%	6.50%	0.48%	3.8%	4.50%	0.67%	6.5%	13.75%	0.13%	5.5%	4.25%
Feb-27	0.59%	5.0%	13.50%	0.36%	4.2%	6.50%	0.17%	4.0%	4.50%	0.77%	6.2%	13.75%	0.23%	5.0%	4.25%
Mar-27	0.35%	4.5%	13.00%	0.37%	3.7%	6.50%	0.53%	3.6%	4.50%	0.51%	5.9%	13.75%	0.75%	3.3%	4.25%
Apr-27	0.28%	4.1%	12.50%	0.10%	3.6%	6.50%	0.23%	2.5%	4.50%	0.53%	5.6%	13.75%	0.23%	3.1%	4.25%
May-27	0.24%	3.8%	12.50%	-0.01%	3.8%	6.50%	-0.04%	2.3%	4.50%	0.41%	5.5%	13.75%	0.10%	3.0%	4.25%
Jun-27	0.19%	3.7%	12.00%	0.29%	4.0%	6.50%	0.02%	2.4%	4.50%	0.23%	5.5%	13.75%	0.19%	3.0%	4.25%
Jul-27	0.14%	3.4%	12.00%	0.31%	4.0%	6.50%	0.42%	2.4%	4.50%	0.27%	5.4%	13.75%	0.42%	2.9%	4.25%
Aug-27	0.23%	3.4%	11.50%	0.26%	3.9%	6.50%	0.14%	2.5%	4.50%	0.23%	5.3%	13.75%	0.24%	2.9%	4.25%
Sep-27	0.29%	3.5%	11.00%	0.30%	3.9%	6.50%	0.40%	2.5%	4.50%	0.28%	5.2%	13.75%	0.11%	2.9%	4.25%
Oct-27	0.33%	3.8%	11.00%	0.45%	3.8%	6.50%	0.18%	2.6%	4.50%	0.14%	5.1%	13.75%	0.08%	2.9%	4.25%
Nov-27	0.31%	3.9%	11.00%	0.49%	3.8%	6.50%	0.31%	2.7%	4.50%	0.21%	4.9%	13.75%	0.13%	3.0%	4.25%
Dec-27	0.48%	4.0%	11.00%	0.41%	3.8%	6.50%	-0.08%	2.8%	4.50%	0.41%	4.8%	13.75%	0.33%	3.0%	4.25%

Monetary Policy Meeting
Projected Start of the Easing Cycle
Projected End of the Easing Cycle

Source: Government data, Morgan Stanley LatAm Economic forecasts

On the Horizon: Annual forecasts

Exhibit 11: Annual forecasts

	AR	BR	CL	CO	MX	PE	Region
Real GDP growth (%)							
2024	-1.3%	3.4%	2.6%	1.5%	1.4%	3.5%	2.1%
2025	4.4%	2.3%	2.5%	2.6%	0.6%	3.4%	2.2%
2026E	3.1%	2.0%	1.4%	2.5%	1.1%	3.8%	2.0%
2027E	2.2%	1.6%	3.1%	2.4%	1.7%	3.7%	2.0%
Inflation (year-end, %)							
2024	117.8%	4.8%	4.5%	5.2%	4.2%	2.0%	17.8%
2025	31.5%	4.3%	3.4%	5.1%	3.7%	1.5%	7.3%
2026E	28.0%	5.0%	3.8%	7.0%	4.4%	5.5%	7.8%
2027E	20.5%	4.0%	2.8%	4.8%	3.8%	3.0%	5.9%
Policy rate (year-end)*							
2024	33.88%	12.25%	5.00%	9.50%	10.00%	5.00%	
2025	27.06%	15.00%	4.50%	9.25%	7.00%	4.25%	
2026E	20.00%	**14.00%**	4.50%	13.75%	6.50%	4.25%	
2027E	18.00%	**11.00%**	4.50%	13.75%	6.50%	4.25%	
Current account balance (% GDP)							
2024	0.3%	-3.0%	-1.5%	-1.7%	-0.9%	2.2%	-1.5%
2025	-0.2%	-3.0%	-1.2%	-2.4%	-0.4%	3.2%	-1.5%
2026E	0.7%	-2.0%	-2.2%	-2.7%	-0.8%	2.6%	-1.2%
2027E	0.5%	-1.6%	-2.5%	-2.6%	-0.7%	2.3%	-1.0%
International reserves (US$ bn)							
2024	29.6	329.7	44.4	62.5	229.0	79.2	774.4
2025	41.2	358.2	49.5	66.4	251.9	90.3	857.5
2026E	49.0	365.0	52.9	67.8	255.0	96.6	886.3
2027E	55.0	365.0	56.6	68.3	260.5	103.3	908.7
Primary balance (% GDP)							
2024	1.8%	-0.4%	-1.3%	-2.4%	-1.5%	-1.8%	-0.8%
2025	1.4%	-0.5%	-1.6%	-3.5%	-0.2%	-0.6%	-0.5%
2026E	1.3%	-0.5%	-1.7%	-3.0%	0.0%	-1.3%	-0.5%
2027E	1.3%	-0.7%	-1.0%	-0.5%	0.6%	-0.8%	-0.1%
Nominal balance (% GDP)							
2024	0.3%	-8.5%	-2.8%	-6.7%	-5.7%	-3.4%	-5.9%
2025	0.2%	-8.3%	-2.8%	-6.4%	-4.9%	-2.2%	-5.5%
2026E	0.1%	-8.7%	-2.5%	-6.5%	-4.6%	-3.2%	-5.6%
2027E	0.0%	-7.2%	-1.9%	-5.1%	-4.2%	-2.7%	-4.7%
FX rate (year-end vs. US$)**							
2024	1031.0	6.2	992.1	4409.2	20.3	3.8	
2025	1451.2	5.5	910.0	3757.1	18.0	3.4	
2026E	1578.9	5.0	870.0	3825.0	17.2	3.6	
2027E	1873.8	4.8	840.0	3925.0	17.4	3.6	

(*) TAMAR is used as a proxy. It refers to Argentina's wholesale interest rate, defined as the weighted average rate on 30 to 35 days peso deposits of ARS 1 billion or more at private banks.
(**) FX Strategy Team
Source: Morgan Stanley LatAm Economics, updated forecasts in bold, E = Morgan Stanley forecast

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