



LATIN AMERICA ECONOMICS WEEKLY

Argentina's final presidential vote, Pemex woes

Massa vs. Milei – the final round

The final round of Argentina's drawn-out presidential election process takes place on Sunday, pitching left-wing Peronist and current Economy Minister Sergio Massa against right-wing libertarian Javier Milei. The result remains uncertain. Massa came out on top in the [first-round vote](#) last month, but opinion polls put Milei ahead (slightly) for this vote.

All our research on the election can be found on a dedicated page on our website [here](#). And we will respond to the election result on Monday. In short, were Milei to win, we doubt that he would push through some of his more radical proposals (such as [dollarisation](#)) given his limited support base in congress and limited popular support for such policies. A Massa victory would probably result in a more centrist Peronist government than the current one, although he is likely to stick with excessively loose monetary and fiscal policy.

One area that has become a growing concern this week is the outlook for the currency. The authorities reverted to the crawling peg exchange rate regime on Wednesday (even though they had pledged to keep the exchange rate fixed at 350/\$ until the election), suggesting that balance of payments pressures have intensified. Regardless of who wins, we think another large devaluation lies in store, probably shortly after the election.

The exchange rate sits at the heart of Argentina's economic woes. As we've [argued for some time](#), it looks overvalued, which is hurting Argentina's external competitiveness and limiting hard currency inflows. A much weaker peso is needed if Argentina is to enjoy sustained economic growth. But a large currency fall would add fuel to the inflation fire. And it would also push the public debt burden up further, making claims that Argentina's debt is sustainable even more difficult to support. This could ultimately force the IMF to make another debt restructuring a condition for the release of further financing.

Pemex back in the spotlight

The debts of Mexico's state oil company Pemex have come back into the spotlight this week. In an interview with [Bloomberg](#), the head analyst of S&P Global Ratings said that the government's support for the company is unsustainable over the longer term. And even Amlo, Pemex's staunchest supporter, seems concerned about its finances, demanding weekly reports on its spending.

This supports the argument we set out in an in-depth [Focus](#) earlier this year that Pemex's debts look unsustainable and that it is more likely than not to default later this decade.

Latin America in a fracturing world

On Thursday, we published our updated fracturing dashboard (available [here](#)), setting out where countries sit in a world that is splitting into US and China camps. Within Latin America, the changes we made from our previous edition were to place Honduras and Nicaragua in the "lean China" camp after they broke relations with Taiwan.

Several other countries in the region, such as [Colombia](#) and [Brazil](#), could potentially move into the same camp. For now, we think it's premature to change their status, but we will keep their alignment under review. Meanwhile, Argentina could move in the other direction after Sunday's election. While the current government has maintained close relations with China, Javier Milei appears determined to ally Argentina with the US.

The week ahead

The debt problems of Argentina and Pemex discussed here are well known. But, as we'll set out in a *Focus* next week, public debt risks are likely to build across the region from next year.

Otherwise, the main data release next week is Chile's Q3 GDP figure, which is likely to show that the economy posted a modest recovery.



Data Previews

Mon. 20th Nov. – Chile GDP (Q3)

Forecasts	Time (GMT/ET)	Previous	Consensus	Capital Economics
GDP % q/q (% y/y)	11.30/06.30	-0.3 (-1.1)	-	+0.3 (+0.2)

Chile’s economy set to rebound from its Q2 trough

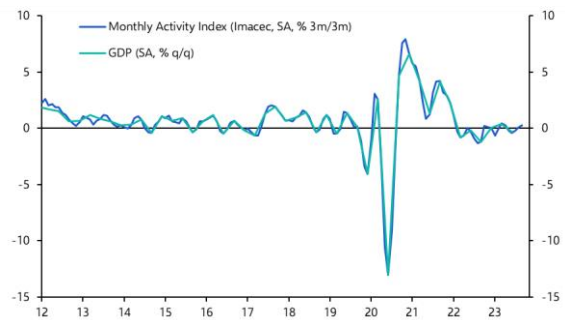
We expect GDP figures from Chile to show that the economy expanded by 0.4% q/q in Q3.

Following a stronger than expected start to the year, Chile’s economy contracted by 0.3% q/q in Q2. Activity data for Q3 suggests that the economy staged a modest rebound last quarter. The monthly activity index (Imacec), which has a close relationship with GDP, expanded in both July and September. And the 3m/3m change, which aligns with the q/q GDP growth figures, points to a modest expansion in Q3, of 0.3% q/q. (See Chart 1.) This came on the back of a pick-up in activity in non-mining sectors.

Looking ahead, we think that looser fiscal and monetary policy pave the way for Chile’s economy

to grow by more than most anticipate. We expect Chile’s economy to grow by 2.5% and 2.8% in 2024 and 2025 respectively.

Chart 1: Chile Imacec & GDP



Sources: Capital Economics, Refinitiv



Economic Diary & Forecasts

Upcoming Events and Data Releases

Date	Country	Release/Indicator/Event	Time (GMT)	Time (EST)	Previous*	Median*	CE Forecasts*
Mon 20 th	Chl	Current Account (Q3)	11.30	06.30	-\$2.8bn	-	-
	Chl	GDP (Q3, q/q(y/y))	11.30	06.30	-0.3%(-1.1%)	-	+0.3%(+0.2%)
	Pan	Economic Activity Index (Aug.)	-	-	(+12.6%)	-	-
Tue 21 st	Arg	Budget Balance (Oct., ARS)	-	-	-380.5bn	-	-
Wed 22 nd	Mex	Retail Sales (Sep.)	12.00	07.00	-0.4%(+3.2%)	-	-
	Arg	Economic Activity Index (Sep.)	19.00	14.00	+1.3%(+0.3%)	-	-
Thu 23 rd	Mex	Bi-Weekly CPI (15 th Nov.)	12.00	07.00	+0.1%(+4.3%)	(+4.2%)	+0.5%(+4.2%)
	Mex	Monetary Policy Meeting Minutes	15.00	10.00	-	-	-
	Per	GDP (Q3, q/q(y/y))	-	-	-0.5%(-0.5%)	(-0.7%)	-0.3%(-1.7%)
Fri 24 th	Mex	IGAE Activity Index (Sep.)	12.00	07.00	+0.4%(+3.7%)	-	-
	Mex	GDP (Q3, q/q(y/y))	12.00	07.00	+0.8%(+3.6%)	-	+0.9%(+3.5%)
	Mex	Current Account (Q3, q/q(y/y))	15.00	10.00	+\$6.2bn	-	-
Selected future data releases and events:							
27 th Nov	Brz	Current Account (Oct.)	11.30	06.30	-\$1.4bn	-	-
	Mex	Trade Balance (Oct.)	12.00	07.00	-\$1.5bn	-	-
28 th Nov	Brz	IPCA-15 Inflation (Nov.)	12.00	07.00	+0.2%(+5.1%)	-	-
29 th Nov	Brz	Budget Balance (Oct., BRL)	11.30	06.30	-99.8bn	-	-
	Chl	Unemployment Rate (Oct.)	12.00	07.00	8.90%	-	-
30 th Nov	Mex	Central Bank Inflation Report	18.30	13.30	-	-	-
	Brz	Unemployment Rate (Oct.)	12.00	07.00	7.70%	-	-
	Chl	Industrial Production (Oct.)	12.00	07.00	(+1.5%)	-	-
1 st Dec	Chl	Retail Sales (Oct.)	12.00	07.00	(-5.4%)	-	-
	Col	Unemployment Rate (Oct.)	15.00	10.00	9.30%	-	-
	Chl	Economic Activity Index (Oct.)	11.30	06.30	+0.0%(+0.6%)	-	-
	Brz	Industrial Production (Oct.)	12.00	07.00	+0.1%(+0.6%)	-	-
	Brz	S&P Global Manufacturing PMI (Nov.)	13.00	08.00	48.6	-	-
	Mex	S&P Global Manufacturing PMI (Nov.)	15.00	10.00	52.1	-	-
	Per	CPI (Nov.)	15.00	10.00	-0.3%(+4.3%)	-	-
	Brz	Trade Balance (Nov.)	18.00	13.00	+\$9.0bn	-	-
	Mex	IMEF Manufacturing Index (Nov.)	18.00	13.00	50.5	-	-
	Mex	IMEF Non-Manufacturing Index (Nov.)	18.00	13.00	52.2	-	-
	Col	Current Account (Q3)	-	-	-\$2.5bn	-	-

*m/m(y/y) unless otherwise stated; † = previous day
Sources: Bloomberg, Capital Economics



Main Economic & Market Forecasts

Table 1: Central Bank Policy Rates (%)

Policy Rate	Latest (17 th Nov.)	Last Change	Next Change	Forecasts	
				End 2023	End 2024
Brazil Selic Target	12.25	Down 50bp (Nov. '23)	Down 50bp (Dec. '23)	11.75	9.50
Mexico Overnight Rate	11.25	Up 25bp (Mar. '23)	Down 25bp (Q1 '24)	11.25	9.25
Colombia Intervention Rate	13.25	Up 25bp (Apr. '23)	Down 25bp (Dec. '23)	13.00	8.00
Chile Overnight Rate	9.00	Down 50bp (Oct. '23)	Down 50bp (Dec. '23)	8.50	5.25
Peru Reference Rate	7.00	Down 25bp (Nov. '23)	Down 25bp (Dec. '23)	6.75	5.00

Sources: Refinitiv, Capital Economics

Table 2: FX Rates vs. US Dollar & Equity Markets

Currency	Latest (17 th Nov.)	Forecasts		Stock Market	Latest (17 th Nov.)	Forecasts	
		End 2023	End 2024			End 2023	End 2024
Brazil BRL	4.90	5.10	5.00	Bovespa	124,938	110,750	141,500
Mexico MXN	17.23	19.0	20.5	Bolsa	52,749	48,400	58,100
Argentina ARS	353.95	700	900	Merval	619,180	-	-
Colombia COP	4096.63	4,200	4,200	COLCAP	1,116	910	1,120
Chile CLP	887.60	875	850	IPSA	5,759	5,700	6,900
Peru PEN	3.87	3.70	3.80	S&P/BVL	22,571	22,700	26,400

Sources: Refinitiv, Capital Economics

Table 3: GDP & Consumer Prices (% y/y)

	Share of World ¹	2011-20 Ave.	GDP				Consumer Prices			
			2022	2023	2024	2025	2022	2023	2024	2025
Brazil	2.3	0.3	2.9	3.5	0.8	1.5	9.3	4.8	4.5	4.0
Mexico	1.9	0.9	3.9	3.5	2.0	2.0	7.9	5.5	4.3	3.5
Argentina	0.7	-0.7	5.0	-3.5	-2.0	2.5	72.4	129.5	171.0	97.5
Colombia	0.6	2.5	7.3	1.0	1.3	2.5	10.2	11.8	6.0	4.3
Chile	0.4	2.1	2.4	0.0	2.5	2.8	11.6	7.8	4.3	3.3
Peru	0.3	2.5	2.7	0.8	2.0	2.5	7.9	6.5	4.0	3.8
Dom. Rep.	0.2	4.1	4.9	2.3	3.0	4.8	8.8	4.8	4.3	4.0
Ecuador	0.1	1.6	2.9	0.8	1.8	2.0	3.5	2.3	2.0	2.0
Venezuela	-	-12.7	15.5	6.5	5.0	5.0	185	340	90	80
Panama	0.1	3.5	10.5	1.8	2.8	3.0	2.8	1.5	1.3	1.3
Costa Rica	0.1	2.8	4.3	5.3	3.3	3.5	8.3	0.8	1.5	2.5
Uruguay	0.1	1.5	4.9	1.0	2.5	2.5	9.1	5.8	6.0	5.3
Latin America²	6.8	0.9	3.9	2.1	1.1	2.1	8.7	5.8	4.4	3.7

Sources: Refinitiv, Capital Economics. 1) % of GDP, 2021, PPP terms. 2) GDP Excl. Venezuela; Consumer Prices Excl. Argentina & Venezuela.



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