

ECONOMIC ANALYSIS

In Colombia, BanRep left the MPR unchanged. We do not expect any rate cut before 2Q15.

Chile Unit / Colombia Unit / Latin America Unit / Mexico Unit / Peru Unit

With regards to Mexico, the global economic activity indicator fell 0.3% MoM in December, confirming slow economic activity for the year as a whole: GDP grew 2.1%. Lower public expenditure, decreased production and oil prices are the main drivers of this deceleration and suggest a downward bias to our 2015 growth forecast.

Colombia – February meeting: BanRep holds monetary policy rate at 4.5%

Banco de la República decided to keep its benchmark rate unaltered at 4.5%. The decision, as at the previous meeting, was unanimous. The assessment made by the Board regarding the performance of the economy in 4Q14 remained unchanged and its statement highlights that domestic demand during this period remained dynamic. However, the Board notes that uncertainty continues regarding the effect of the deterioration in terms of trade on 2015 growth. On the other hand, members consider that currency depreciation will continue to drive up inflation, although this effect is considered temporary and without consequences for expectations. Moreover, the press release highlights that 12- and 24-month-ahead inflation expectations recorded a drop from the previous month. From the above it follows that any policy change in the coming months will depend more on the actual activity information released as the year unfolds. For this reason we believe the first rate cut will not take place before the second quarter of this year, when the Board has much more information about the impact of lower oil prices on the economy.

Mexico – Slow economic activity was confirmed in 2014, GDP grew 2.1% annually.

According to INEGI, the quarterly growth rate (QoQ) of the fourth quarter of 2014 (4Q14) GDP was 0.7%, seasonally adjusted (sa), equivalent to an annual growth (YoY) 2.1%. This expansion was slightly less than both our and market estimates (BBVAe: 0.8% QoQ, sa; consensus: 0.9% QoQ, sa). In terms of GDP components, in 4Q14 tertiary activities (services) recorded the best performance, with a quarterly growth rate of 0.9%, secondary activities (manufacturing) grew 0.6% and primary activities (agriculture) reported a quarterly decrease of 2.2%, (see Figure 2). In annual terms, GDP grew 2.6%, sa, in the fourth quarter of 2014. The services sector grew by 2.8% YoY sa, manufacturing activities increased 2.4 YoY, sa, and the primary sector expanded 0.9% YoY, sa. Annual economic growth in 2014 stood at 2.1% as our forecast suggested; however, this confirmed the slow performance of economic activity over the past year. The moderate quarterly growth; the contraction in public expenditure; decreased production and oil prices; and weak domestic demand all imply downward pressure on our economic growth forecast for 2015, currently set at 3.5%, as it will require a greater effort from both the public and private sectors to boost investment and infrastructure programmes, and thereby stimulate growth in the first half of 2015. [See Mexico GDP Flash.](#)

Mexico – Global Economic Activity Indicator in December fell 0.3% MoM, sa.

The slow evolution of GDP was reflected in the monthly performance of the Global Economic Activity Indicator (IGAE). In December the IGAE fell 0.3% MoM, sa. Manufacturing and services fell 0.3% MoM, sa, and 0.2% MoM, sa, respectively. Meanwhile, agriculture increased 5.6% MoM, sa. The annual

growth rates of this indicator between for October, November and December 2014 were respectively 2.7%, 2.7% and 2.3%, seasonally adjusted.

What to watch today

Mexico – Retail sales (December, 9:00hrs NYT)

We estimate that December's retail sales will rise 3.42% YoY, seasonally adjusted (sa). This result, which will be published on 23 February by the INEGI, will be related to the ANTAD sales performance, which in total stores increased in December by 2.1% YoY, sa. However, in monthly terms growth is likely to be limited, related to the destruction of formal jobs in December (235,490 jobs registered in the IMSS). We recall that in November retail sales increased 1.9% YoY, sa.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	23-Feb	Feb-26	1.08	--	-	--
IBGE Inflation IPCA-15 MoM	24-Feb	Feb	1.3	1.15%	-	0.9%
Current Account Balance	24-Feb	Jan	-2391	--	-	-\$10317M
Formal Job Creation Total	25-Feb	Jan	-19000	--	-	-555508
FGV Consumer Confidence	25-Feb	Feb	--	--	-	89.8
Outstanding Loans MoM	25-Feb	Jan	--	--	-	2.0%
FGV Inflation IGPM MoM	26-Feb	Feb	0.27	--	-	0.8%
Unemployment Rate	26-Feb	Jan	--	5.10%	-	4.3%
Primary Budget Balance	27-Feb	Jan	17	--	-	-12.9B
Chile						
Unemployment Rate	27-Feb	Jan	--	--	-	6.0%
Retail Sales YoY	27-Feb	Jan	2.3	--	-	1.9%
Manufacturing Index YoY	27-Feb	Jan	1.9	--	-	3.1%
Colombia						
Retail Confidence	23-Feb	Jan	--	22	-	22.1
Industrial Confidence	23-Feb	Jan	--	0	-	-2.1
Urban Unemployment Rate	27-Feb	Jan	11.8	11.80%	-	9.3%
National Unemployment Rate	27-Feb	Jan	--	--	-	8.7%
Mexico						
Retail Sales YoY	23-Feb	Dec	2.3	3.42%	-	1.2%
Retail Sales MoM	23-Feb	Dec	--	0.10%	-	0.8%
Bi-Weekly CPI	24-Feb	Feb-19	0.14	0.11	-	0.1%
Bi-Weekly Core CPI	24-Feb	Feb-19	0.16	0.14	-	0.1%
Bi-Weekly CPI YoY	24-Feb	Feb-19	3.07	3.04%	-	3.1%
Trade Balance	26-Feb	Jan	--	--	-	254.0M
Unemployment Rate SA	27-Feb	Jan	4.3	4.63%	-	4.4%
Unemployment Rate NSA	27-Feb	Jan	4.45	4.43%	-	3.8%
Net Outstanding Loans	27-Feb	Jan	--	--	-	2713B

Most recent Latam reports

Date	Description
02.23.2015	Mexico Weekly Flash: The quarterly GDP growth in the fourth quarter of 2014 was 0.7% (In Spanish)
02.16.2015	Peru Flash: There was no economic recovery at the end of last year...
02.12.2015	Peru Flash: Key rate on hold in February, with no major news in the communiqué that accompanied the decision
02.12.2015	Perú Flash: Monetary pause in February (In Spanish)
02.12.2015	Chile Flash: Chile: No surprises in February's monetary policy meeting
02.11.2015	Mexico Flash: Industrial production decreased 0.3% MoM, sa. in December
02.09.2015	Mexico Flash: Annual headline inflation is likely to remain close to 3.0% for most of the year
02.06.2015	Mexico Weekly Flash: We estimate that industrial production in December will grow by 2.7% annually
02.06.2015	Brazil Flash: Inflation jumps above 7%
02.06.2015	Chile Flash: January's CPI increased 0.1% MoM, above market consensus

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