

LatAm Daily | In Mexico, Banxico cuts growth expectations for 2016 and 2017

Enestor Dos Santos / Hugo Perea / Cecilia Posadas / Jorge Selaive / Carlos Serrano / Juana Téllez

In Brazil it was confirmed that the recession continued in the last quarter of the year and will do so in 2016. For this year we expect a contraction of 3% driven by declines in investment and private consumption. Banxico now expects growth in Mexico of between 2 and 3% by 2016. The cuts in the forecast are mainly attributed to the lower expected foreign demand.

Brazil - The recession continued in 4Q15 and GDP dropped 3.8% last year

The recession continued in 4Q15, although the pace of the deterioration of economic activity slowed down. More precisely, GDP decreased 1.4% QoQ in the period (BBVAe: -1.1% QoQ consensus: -1.6% QoQ), somewhat less than in the previous two quarters (-2.1% in 2Q15 and -1.7% in 3Q15), although more than in 1Q15 (-0.8% QoQ). As a consequence of the contraction in GDP in each one of the four quarters last year, GDP declined 3.8% in 2015. This was mainly due to both the 14.1% decrease in fixed capital investment and the 4.0% drop in private consumption. The other component of domestic demand, public consumption, contracted 1.0%. Regarding external components, exports of goods and services increased 6.1% while imports shrank 14.3%. As the main external and internal drivers of the domestic recession will likely also play a negative role this year, economic activity is expected to continue to contract in the forthcoming quarters. We only expect some stability in quarterly GDP growth rates by the end of 2016. We forecast GDP to contract 3.0% in 2016. As in 2015, investment and private consumption will likely be the main drivers of the recession, while net external demand should provide some relief to activity figures this year (see our [Brazil Flash](#) for more details).

Colombia - Exports declined in January

The National Statistics Department (DANE) released export data for January. According to the report, exports declined 36.6% YoY, standing at USD1.8 billion (BBVAe: 2,0 billion). In January the main driver of external sales on the downside were oil and mining products with a 46.9% YoY drop. Industrial and manufacturing exports also declined, contracting 17.6% on a yearly basis.

Mexico - Banxico cuts its growth forecasts for 2016 and 2017

The central bank of Mexico now expects GDP will grow between 2.0 and 3.0% in 2016 and between 2.5 and 3.5% in 2017 (from 2.5-3.5 for 2016 and 3-4% for 2017 in October). The cut relies heavily on the weakness of external demand, particularly, US industrial production. Regarding inflation, the central bank expects it to close the year around 3.0% after breaching temporarily this level during the second and the third quarters. During the presentation of the quarterly inflation report, a great amount of time was devoted to explain the motivations behind the recent monetary policy rate increase and the changes to the intervention mechanism in the foreign exchange market. In particular, the governor of the board stated that discretionary interventions are limited to extraordinary conditions that signal a lack of liquidity in the market.

What to watch for today

Mexico - Fixed investment (December 2015, 9:00 am NYT)

We estimate that December's 2015 annual rate of growth of the total fixed investment index will be negative and of -2.4%, which is a greater contraction than consensus considers of -1.2%. The average annual rate of growth of fixed investment for the first semester of 2015 was 5.5%, and this average decreased from July to November of that year to 2.6%, and the annual rate was negative in November (-0.4%). The rate that we expect for December of -2.4% indicates that deterioration of the index continues. We believe that this is mainly due to the fact that in that month its components of construction and machinery and equipment both show negative rates of growth of -3.4% and -0.5%, respectively.

Colombia - BanRep's Board minutes (February, 1:00 pm NYT)

The Central Bank will publish the minutes for its last monetary policy meeting. In its last meeting the CB's Board decided to increase the repo rate 25 pb, taking the monetary policy rate up to 6.25%. The minutes will provide valuable information regarding the discussion inside the Board about the pace of monetary policy tightening and their assessment of the overall economic performance.

Colombia - Inflation (February, to be released on March 5th at 12:00pm NYT)

We expect inflation to rise 1.5% MoM, 7.8% YoY (consensus: 1.4% MoM, 7.7% YoY), on soaring food prices and seasonal increases for services such as education and health care.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	1-mar	Feb	0.85		0.76	1.1%
Trade Balance Monthly	1-mar	Feb	2500.00		3043.00	\$923m
Selic Rate	2-mar	Mar	14.25	14.25	14.25	14.25%
GDP QoQ	3-mar	4Q	-1.60	-1.1	-1.45	-1.7%
GDP YoY	3-mar	4Q	-5.90		-5.89	-4.5%
Industrial Production MoM	4-mar	Jan	-0.49	-0.3		-0.7%
Vehicle Production Anfavea	4-mar	Feb				145064.0
Chile						
Copper Production Total	29-feb	Jan			453638.00	495953.0
Retail Sales YoY	29-feb	Jan	3.25	3.5	3.35	1.9%
Manufacturing Production YoY	29-feb	Jan	-3.25	-3.5	-4.64	-2.8%
Unemployment Rate	29-feb	Jan	6.00	6.1	5.80	5.8%
Industrial Production YoY	29-feb	Jan	-3.50		-8.28	-3.3%
Colombia						
National Unemployment Rate	29-feb	Jan			11.91	8.6%
Urban Unemployment Rate	29-feb	Jan	12.50		14.07	9.8%
Exports FOB	3-mar	Jan	\$2223.0	\$2.015m		\$2543.0
PPI Domestic MoM	4-mar	Feb		7.77%		1.1%
PPI Total MoM	4-mar	Feb		1.50%		-0.2%
Mexico						
Remittances Total	1-mar	Jan	1785.50	1748	1932.20	\$2188.0m
IMEF Manufacturing Index SA	1-mar	Feb	51.10		51.28	51.5
IMEF Non-Manufacturing Index SA	1-mar	Feb	50.50		50.35	50.2
Central Bank Economist Survey	2-mar					
Vehicle Domestic Sales AMIA	2-mar al 4-mar	Feb			110770.00	119693.0
Mexican Central Bank Releases Inflation Report	3-mar					
Gross Fixed Investment	4-mar	Dec	-1.40	-2.4		-0.4%
Peru						
CPI MoM	1-mar	Feb	0.20		0.17	0.4%
CPI YoY	1-mar	Feb	4.50		4.5	4.6%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
03.04.2016	Brazil: The recession continued in 4Q15 and GDP dropped 3.8% last year.
03.03.2016	Brazil: No changes in sight for interest rates
03.02.2016	Mexico: Economic Outlook 1Q16 - Presentation (In Spanish)
03.02.2016	Mexico: Economic Outlook 1Q16 (In Spanish)
03.02.2016	Brazil: Economic Outlook 1Q16 - Presentation
03.02.2016	Chile: Fundamentals of Chilean economy
03.01.2016	Latam: Economic Outlook 1Q16
03.01.2016	Mexico: Credit to the private sector begins the year with a growth of 15.3% (In Spanish)
03.01.2016	Chile: Labour aggregates, job search efforts and Google trends (In Spanish)
03.01.2016	Mexico: Remittances start 2016 with growth of 18.8% in January (In Spanish)
03.01.2016	Peru: The inflation fell in February (In Spanish)
02.29.2016	Colombia: Worse labour results than expected
02.29.2016	Brazil: Economic Outlook 1Q16 - Presentation
02.29.2016	Brazil: Economic Outlook 1Q16
02.29.2016	Chile: January's IMACEC could have grown among -0.25% - 0.25% YoY (In Spanish)
02.24.2016	Latam: The business model of Spanish banks in Latin America (In Spanish)
02.23.2016	Colombia: Economic Outlook 1Q16

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.