

LatAm Daily | February inflation in Colombia was lower than expected

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We estimate that inflation in Colombia will start to converge to the target range of BC by the second half of 2016. Industrial production in Brazil in line with forecast that GDP will contract in the first half of the year, although less than in 2015. In Mexico December investment surprised on the upside, driven by investment in machinery components.

Brazil - Industrial production increased in January

After having contracted 8.7% in the seven previous months, industrial production increased 0.4% MoM in January. The figure was in contrast with the expectations of another decline at the very beginning of the year (BBVAe: -0.30% MoM; consensus: -0.50% MoM). By categories, there was an increase in the production of both capital and intermediary goods (1.3% MoM 0.8% MoM, respectively) and a decrease in consumption goods (-0.9% MoM). We do not expect January's increase to represent the beginning of a new upward trend in industrial production. However, it suggests that the performance of the sector will not be as negative going forward as in the second half of 2015. That is in line with our view that GDP will continue to decrease during the first half of 2016, although at a lower pace than it did last year.

Colombia - February CPI rises below expectations

February CPI rose 1.28 % MoM, below market expectations (Bloomberg: 1.45%, BBVA 1.50%). The increase took the annual inflation rate to 7.6%, slightly above the previous reading of 7.5%. After several months of upward acceleration, Food and Tradeable prices showed a setback and their figure in February was lower than in the previous month. The two factors that boosted inflation in recent months, the devaluation of the exchange rate and El Niño, are withering and will help CPI not to accelerate in the rest of the year. This, coupled with the weakening of the labor market that appeared in January, will help inflation to converge to its target. We believe, however, that inflation will remain close to the figures recorded in the first months of the year and only from 2H16 we will see significant reversals (See [Colombia Flash](#) in Spanish for details).

Colombia - BanRep's minutes for February

The Central Bank published the minutes for its last Board's monetary policy meeting. According to the press release, there were two lines of thought inside the Board. On the one hand, the majority voted for a 25bp repo rate increase. This group pointed out that a gradual increase in rates was a better strategy to incorporate new information. In addition, they highlighted that the interest rate transmission mechanism is working. On the other hand, a minority group voted for a 50pb increase. The main concern of this group relies on inflation expectations, inflation indexation and the uncertainty regarding the elasticity of inflation to the output gap.

Mexico - Fixed investment annual rate of growth for December was 1.1%

The annual rate of growth for December 2015 of total fixed investment of 1.1% was greater than our estimate (-2.4%) or the consensus estimate (-1.2%). Note that in December the construction component decreased at

an annual rate of -2.1%, while we expected it to decrease at a higher pace of -3.6%. The main surprise came from the growth rate observed with respects to the machinery and equipment component (6.4%), which was substantially different from our forecast (-0.5%). Note that the surprise came from the item investment in transport equipment, whose annual rate of growth in December was high and of 23.7%.

What to watch for today

Chile - Monthly economic activity index (January, 07:30hrs NYT)

We expect the Imacec to have grown around 0.2% YoY in January. The figure is likely to be driven by positive contributions from retail sales and services but offset by strong declines in manufacturing and mining output.

Chile - Trade balance (February, 7:30hrs NYT)

We expect a trade surplus of around USD650mn in February, still reflecting the sluggishness in both domestic and external demand.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV Inflation IGP-DI MoM	8-Mar	Feb	0.96			1.53
IBGE Inflation IPCA MoM	9-Mar	Feb	1.26	1		1.27
COPOM Monetary Policy Meeting Minutes	10-Mar					
Retail Sales MoM	10-Mar	Jan	-0.4	-0.5		-2.7
Economic Activity MoM	11-Mar	Jan		-0.3		-0.52
Chile						
Copper Exports	7-Mar	Feb				2054.09
Trade Balance	7-Mar	Feb	575	650		685.21
Economic Activity YoY	7-Mar	Jan	0.2	0.2		1.46
Economic Activity MoM	7-Mar	Jan	-0.1	0.3		0.83
Nominal Wage YoY	7-Mar	Jan	4.9			5.2
Nominal Wage MoM	7-Mar	Jan				1
Vehicle Sales Total	7-mar al 10-mar	Feb				25484
CPI MoM	8-Mar	Feb	0.3	0.2		0.5
CPI YoY	8-Mar	Feb	4.6	4.6		4.8
Central Bank's Traders Survey	9-Mar					
Central Bank's Economist Survey	10-Mar					
Colombia						
GDP YoY	10-Mar	4Q	3	2.4		3.2
GDP QoQ	10-Mar	4Q	0.5	-0.1		1.2
GDP Full Year YoY	10-Mar	2015		2.9		4.6
Economic Activity Index SA YoY	10-Mar	Dec	2.8	2.5		3.2
Colombia Monetary Policy Minutes	11-Mar					
Mexico						
Consumer Confidence Index	7-Mar	Feb				92.5
Vehicle Production AMIA	7-mar al 9-mar	Feb				267498
CPI MoM	9-Mar	Feb	0.53			0.38
CPI Core MoM	9-Mar	Feb	0.36			0.19
CPI YoY	9-Mar	Feb	2.96			2.61
ANTAD Same-Store Sales YoY	9-Mar	Feb				8.6
Formal Job Creation Total	10-mar al 11-mar	Feb		116.1		69.2
Industrial Production NSA YoY	11-Mar	Jan	0.16	0.4		-0.04
Industrial Production SA MoM	11-Mar	Jan	0.2	-0.2		-0.14
Manuf. Production NSA YoY	11-Mar	Jan	2.1			2.52
Peru						
Trade Balance	9-mar al 11-mar	Jan				193
Reference Rate	11-Mar	1-mar	4.5	4.5		4.25

Fuente: BBVA Research

Most recent Latam reports

Date	Description
03.07.2016	Colombia: February inflation is below expectations (In Spanish)
03.04.2016	Brazil: The recession continued in 4Q15 and GDP droppped 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)

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