

Colombia | El Niño drives up inflation

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Annual inflation hit 7.5% in January (1.29% MoM) - the highest since 2008 - fuelled by an 12.3% rise in food prices, exceeding the market expectations (consensus: 7,0% YoY, BBVAe: 7.1%). El Niño continues driving up inflation as the price of perishable products jumped to 28% YoY (vs 23% in the previous month). The exchange rate depreciation in December (8% MoM) also determined, though to a far lesser extent, the January figure. We estimate that inflation will remain hovering around 7.5% during the first half of this year, as El Niño continues inching up food prices and the exchange rate depreciation increases the price of some goods and inputs . In 2H16, however, we should see inflation come down as the economy slows, the agricultural supply increases, and the exchange rate appreciates. However, this will not be enough to return inflation to the target band by the end of this year.