

LatAm Daily | In Chile surveys showed a reduction in GDP forecast for 2016 and 2017

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For today's MPR meeting in Chile we (and the survey) are pointing to a pause in rates at 3.5% with a 25 bps rise expected during the year. Today we will see the MPR decision in Peru, where our call is for a 25 bps rise, to 4.25%. On the activity data front today we will see Mexican industrial output for December 2015, for which a marginal increase of 0.2% MoM is expected.

Chile - Downward revisions to GDP growth prospects are dragging down expectations for the pace of monetary normalisation

The results showed inflation expectations at +0.2% MoM for February (in line with our view), while long-term inflation expectations remain anchored to the central bank's target of 3% YoY. Inflation forecasts for the end of 2016 are for +3.6% YoY, higher than last month (at +3.5% YoY) driven by surprises in January's monthly figure. Meanwhile, GDP growth forecasts for 2016 declined to 1.9% (from 2.1%) despite the higher than expected Imacec figure in December 2015, while expectations for 2017 declined to 2.5% (from a previous 2.8%). Finally, in terms of monetary policy, the survey's results indicated a pause in rates at 3.50% at today's meeting (as we also expect), and only a 25 bps increase to 3.75% during this year.

What to watch for today

Mexico - Industrial output index (December, 9 a.m. EST)

We estimate that December's industrial output index growth will be 0.2% MoM and 0.3% YoY, both on a semi-annual basis sa. Note that in the previous month this indicator decreased by 0.5% MoM and the YoY rate was 0.0%, both on a semi-annual basis sa. Our estimate and the observed data show a weak performance of industrial output throughout 2015.

Chile - Monetary policy meeting (February, 5 p.m. EST)

Despite the higher than expected monthly inflation figure during January, we expect a pause in monetary normalisation. Nonetheless, the Board will also evaluate a 25 bps hike in rates, but the pause option should prevail on the back of both sluggish aggregate activity figures and higher external risks.

Peru - Monetary policy meeting (February, 6.30 p.m. EST)

There are two reasons for raising the policy rate once again. The first one, (inflation and) inflation expectations kept going up in January. The CB has been increasing its policy rate over the past few months because of that. The second one, the comparatively high output print we anticipate for December (above 5% YoY), to be released next week. This could favour business confidence and thus give some room for another rate hike. On the other hand, there are two reasons for pausing in February. Even if output as a whole were to showed better prints from now on, those economic activities which more closely reflect trends in domestic demand (and where monetary policy has a greater impact) remain sluggish and there are no clear signs of improvement in the coming months. Another rate hike could be too much after an already cumulative 75 bps

increase since September 2015. The other reason is that preliminary estimates for February CPI surprisingly point to a fairly low number. If that proves to be right, it could contain inflationary expectations, giving the CB some room to pause and keep its powder dry. After weighing up these elements, we are by a small margin inclined to think that the CB will raise its rate by 25 bps in February, to 4.25%.

Calendar indicators

| | Date | Period | Consensus | BBVAe | Actual | Prior |
|----------------------------------|--------|--------|-----------|--------|---------|----------|
| Brazil | | | | | | |
| FGV CPI IPC-S | 11-Feb | Feb | 1.70% | | | 1.78% |
| FIPE CPI - Weekly | 12-Feb | Feb | -- | | | 1.21% |
| Chile | | | | | | |
| Vehicle Sales Total | 8-Feb | Jan | -- | | 25484.0 | 29835 |
| CPI MoM | 8-Feb | Jan | 0.30% | 0.30% | 0.50% | 0.00% |
| CPI YoY | 8-Feb | Jan | 4.60% | 4.70% | 4.80% | 4.40% |
| Trade Balance | 8-Feb | Jan | \$690.0 | | 685.2 | -\$149.8 |
| Central Bank's Economist Survey | 10-Feb | | 0.00% | | | 0.00% |
| Central Bank's Traders Survey | 10-Feb | | 0.00% | | | 0.00% |
| Overnight Rate Target | 11-Feb | Feb | 3.50% | 3.50% | | 3.50% |
| Colombia | | | | | | |
| Colombia Monetary Policy Minutes | 12-Feb | | 0.00% | | | 0.00% |
| Vehicle Sales | 12-Feb | Dec | -- | | | -- |
| Mexico | | | | | | |
| ANTAD Same-Store Sales YoY | 8-Feb | Jan | -- | | 8.60% | 8.10% |
| Vehicle Production AMIA | 8-Feb | Jan | -- | | 222941 | 222941 |
| CPI MoM | 9-Feb | Jan | 0.26% | 0.34% | 0.38% | 0.41% |
| CPI Core MoM | 9-Feb | Jan | 0.20% | 0.20% | 0.19% | 0.31% |
| CPI YoY | 9-Feb | Jan | 2.49% | 2.57% | 2.61% | 2.13% |
| Bi-Weekly CPI | 9-Feb | Jan | 0.12% | 0.27% | 0.35% | 0.03% |
| Bi-Weekly Core CPI | 9-Feb | Jan | 0.12% | 0.16% | 0.14% | 0.08% |
| Bi-Weekly CPI YoY | 9-Feb | Jan | 2.52% | 2.66% | 2.75% | 2.48% |
| Nominal Wages | 10-Feb | Jan | -- | | 4.10% | 4.50% |
| Industrial Production NSA YoY | 11-Feb | Dec | -0.20% | | | 0.10% |
| Industrial Production SA MoM | 11-Feb | Dec | -- | 0.20% | | -0.50% |
| Manuf. Production NSA YoY | 11-Feb | Dec | 1.40% | | | 1.80% |
| Formal Job Creation Total | 12-Feb | Jan | -- | 18.3 k | | -303.7k |
| Peru | | | | | | |
| Trade Balance | 10-Feb | Dec | -- | | 193.0 | -\$314m |
| Reference Rate | 12-Feb | Feb | -- | 4.25% | | 4.00% |

Source: Bloomberg and BBVA Research

Most recent Latam reports

| Date | Description |
|------------|-----------------------------------------------------------------------------------------------------------------------------|
| 02.10.2016 | Chile: Outlook 1Q16 (In Spanish) |
| 02.09.2016 | Colombia: Trends and Long-term Outlook for Energy Supply and Demand |
| 02.08.2016 | Chile: January's CPI grows 0.5% mom influenced by public fees and cigarettes |
| 02.05.2016 | Colombia: El Niño drives up inflation |
| 02.05.2016 | Chile: GDP grows 2% in 2015 with an Imacec above expectations (In Spanish) |
| 02.05.2016 | Brazil: Inflation surprises strongly to the upside |
| 02.04.2016 | Mexico: No change in fondeo rate. The tone turned restrictive (In Spanish) |
| 02.03.2016 | Mexico: Fondeo rate unchanged at 3.25% (In Spanish) |
| 02.02.2016 | Peru: Inflation keeps rising, as expected |
| 02.01.2016 | Chile: We forecast CPI in January 2016 at 0.3% MoM (In Spanish) |
| 02.01.2016 | Chile: Although the fiscal deficit closed at 2.2% of GDP in 2015, the room for fiscal manoeuvre will narrow |
| 01.29.2016 | Mexico: The peso appreciated nearly 2.0% over the week due to rising oil prices |
| 01.29.2016 | Colombia: BanRep increased its monetary policy rate to 6% in line with expectations |

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