

LatAm Daily | BanRep in Colombia increases MPR by 25 bp as expected

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The Board in Colombia decided to modify the intervention mechanism threshold: the options will be announced when the exchange rate is 3% higher than the 20-day moving average (from 5% previously). In Brazil the fiscal target for 2016 eased. Industrial production fell in Mexico in December, and is likely to remain weak at the beginning of 2016.

Brazil - Government eases the fiscal target for 2016

The government proposed on Friday that the previous primary result target for 2016, R\$30.6bn or around 0.5% of GDP, can be lowered by up to R\$80.6bn (around 1.4% of GDP), chiefly in the event of surprises from public revenues to the downside. In practice, this would reduce the primary result target for 2016 to around -0.9% of GDP. The new target is close to our -0.8% of GDP forecast for the primary result in 2016. This would be the third annual primary deficit in a row, due mainly to the government's unwillingness/inability to cut expenditure, in a context where the contraction of domestic demand is driving public revenues down. In addition, the government announced its intention to freeze around R\$23bn of this year's budget, which is significantly less than the amount announced last year (R\$70bn) and insufficient to prevent a primary deficit this year. The government also reported its intention both to adopt social system reform and impose a ceiling for public expenditure in terms of GDP for the forthcoming years. Even though we regard these measures as very positive, there are many uncertainties about whether the government will be able to deliver them and therefore we remain skeptical about their implementation.

Colombia - BanRep increased its monetary policy rate by 25bp

In February, BanRep's Board increased its monetary policy rate by 25bp to 6.25%, in line with both market and our own in-house expectations. It is important to note that the communiqué highlighted the importance of monetary and fiscal policy coordination. That being said, the Board said that the lower oil prices have reduced national income and Government revenues. Accordingly, the communiqué highlighted the importance of a reduction in government expenditure and a structural tax reform. During the press conference, Minister Cardenas said that the government will reduce its expenditure by COP 6 trillion (0.6% of GDP or 2.8% of the budget). Mr. Cárdenas said that this reduction will help the government to achieve the central government's deficit target of 3.6% of GDP. Finally, the Board decided to modify the threshold for the FX option intervention mechanism from 5% to 3%. The FX intervention options will be announced when the TRM is 3% higher than the 20-day moving average. The rest of the conditions remained unaltered, according to the communiqué (see [Colombia Flash](#) in Spanish).

Colombia - Important adjustment of imports in line with slowdown in consumption

Imports fell by 15.6% YoY in 2015. External purchases of fuel oil showed a sharper adjustment (9.5% of total imports and -32.0% YoY). Similarly, imports of consumption durable goods fell 20.7% YoY, in line with the slowdown in household spending in 2015. Despite this, as oil exports decreased strongly, the trade balance deficit expanded significantly to stand at USD 15,907 mn. (vs. USD 6,292 mn. in 2014). With this figure, the current account deficit would widen to 6.7% of GDP in 2015 (vs. 5.2% of GDP in 2014). We expect an additional adjustment in imports during 2016, as GDP growth will slow down.

Mexico - December's Industrial production index declined -0.1% m/m, sa

December's growth rate of -0.1% of industrial production index was below what we and the market anticipated (0.2% m/m, sa). Mining (-1.1%), utilities (-0.8%), and construction (-0.2%) registered negative monthly growth rates. Manufacturing (0.3%) was the only component of the industrial production index that grew. Note that the annual rate of growth of the industrial production index in December was also negative, at -0.1%. This data confirms the weakness of the Mexican industrial sector, which is likely to continue, at least at the beginning of 2016.

What to watch for today

No relevant news is expected for today.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Formal Job Creation Total	22-Feb al 24-Feb	Jan	-157126			-596208.00
FGV CPI IPC-S	23-feb					1.4%
IBGE Inflation IPCA-15 MoM	23-feb	Feb	1.26	1.15%		0.9%
Current Account Balance	23-feb	Jan				-\$2460m
FIPE CPI - Weekly	24-feb					1.2%
Total Outstanding Loans	24-feb	Jan				3217b
FGV Consumer Confidence	25-feb	Feb				67.90
Unemployment Rate	25-feb	Jan	7.5	7.9		6.9%
FGV Inflation IGPM MoM	26-feb	Feb	1.19			1.1%
Primary Budget Balance	26-feb	Jan				-71.7b
Chile						
Central Bank Meeting Minutes	26-feb					
Colombia						
Retail Confidence	25-feb	Jan		12.00		23.50
Industrial Confidence	25-feb	Jan		3.00		1.30
Mexico						
Retail Sales MoM	22-feb	Dec				0.5%
Retail Sales YoY	22-feb	Dec				5.7%
GDP Full Year YoY	23-feb	2015				2.1%
Economic Activity IGAE YoY	23-feb	Dec				2.7%
GDP NSA YoY	23-feb	4Q		2.5%		2.5%
GDP SA QoQ	23-feb	4Q		0.6%		0.6%
Bi-Weekly CPI	24-feb	1-15 Feb		0.1%		0.4%
Bi-Weekly Core CPI	24-feb	1-15 Feb		0.3%		0.1%
Bi-Weekly CPI YoY	24-feb	1-15 Feb		2.8%		2.8%
Current Account Balance	25-feb	4Q				-\$8856m
Unemployment Rate SA	26-feb	Jan				4.4%
Trade Balance	26-feb	Jan		-1962.00		-926.5m

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
02.19.2016	Colombia: BanRep increased its monetary policy rate to 6.25% in line with expectations
02.19.2016	Latam: Outlook 1Q16 (In Spanish)
02.18.2016	Colombia: Outlook 1Q16 - Presentation
02.17.2016	Peru: Outlook 1Q16 (In Spanish)
02.17.2016	Mexico: Monetary fiscal and exchange rate measures (In Spanish)
02.16.2016	Colombia: Outlook 1Q16, infographic (In Spanish)
02.16.2016	Colombia: Outlook 1Q16 (In Spanish)
02.16.2016	Chile: January would mark the turning point in the annual growth (In Spanish)
02.15.2016	Peru: Strong GDP growth in December, its fastest in two years
02.11.2016	Peru: CB adjust MPR again and is more energetic with expectations (In Spanish)
02.11.2016	Chile: CB maintains MPR unchanged. (In Spanish)
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)

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