

LatAm Daily | In Chile CB kept MPR unchanged at 3.5%

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In Colombia, consumption was the main driver of GDP growth in 2015. The current account deficit stood at 6.4% of GDP (from 5.2% in 2014); 6.8% expected for 2016. Also in Colombia, imports in January were in line with weak domestic demand. Today we expect MP decisions in Colombia and in Mexico; in the former we expect a 25bp rise, while in the latter we expect stability.

Chile - Central bank kept policy rate at 3.5% as widely expected

The communiqué stressed that the pace of future adjustment will be gradual and data-dependent, nonetheless it maintained the tone for monetary normalization. Domestically, the Board stressed that economic activity is expanding slowly while annual inflation remains above 4% YoY. It also acknowledged the lower dynamism in the labor market (reflected in a slowdown of salaried job-creation), despite the low unemployment rate. Finally, on the external front, the communiqué reinforces concerns of further volatility in global markets, highlighting also lower growth perspectives and long-term rates. Overall, with the information at hand, we expect that the Board will validate only one additional 25bp hike during the year in March Monetary Policy Report (see our Chile Flash in Spanish for details).

Colombia - GDP of 2015 was boosted by consumption

Despite the deceleration of final consumption in the last quarter of 2015, especially in the private component, its dynamic (3.9% YoY) was the main driver of GDP growth in 2015 (3.1%). In contrast, fixed investment (2.8%) grew below total GDP, as spending in machinery and equipment fell 1.8% YoY, offsetting the good figures of construction investment (4,1%). All in all, an expansion of 3.6% YoY in domestic demand determined an increase in imports by 3.9% YoY (vs. 7.8% YoY of 2014). Finally, exports fell 0.7% YoY, as non-mining exports failed to offset the sharp decrease in oil prices.

Colombia - Current account deficit in 2015: two different readings

Current account deficit stood at 6.4% of GDP (USD 18,925m.). As a percentage of GDP, the deficit increased from 5.2% in 2014. However, in nominal values, the deficit fell from USD 19.593m a year earlier. This result shows an adjustment in the external balance in dollars despite the slump in oil prices between 2014 and 2015. The primary income deficit (mainly sending profits abroad) was the account with the most important adjustment, going from USD 12.638m in 2014 to USD 5.989m in 2015. During 2016, the current account deficit will have the same duality in the results: a higher deficit as a percentage of GDP (6.8%, because of the exchange rate devaluation) and an additional adjustment in nominal values (USD 17.800m).

Colombia - Imports in line with weak domestic demand

Imports fell 28% YoY in January, settling at USD 3.52 m. Manufacturing goods decreased 29.1% and contributed with -22.5 percentage points to the total variation. Hence, as internal demand continues to grow, this result shows that a share of imports are being replaced by local production, as the manufacturing expansion of 8.2% in January reveals. Trade deficit (USD 1,521 m) in January was lower than a year earlier (USD 1,770 m.), even with the lows in the oil prices in this month. These figures are in line with our outlook of a reduction of the current account deficit (in dollars) during 2016 compared to 2015.

What to watch for today

Colombia - Monetary Policy Announcement (March meeting, no specific time)

BanRep is expected to nudge up interest rates by another quarter-percentage point in today's meeting to 6.50% as inflation expectations remain above the target range.

Mexico - Monetary Policy Announcement (March, 13:00hrs NYT)

We expect Banxico to maintain the overnight rate at 3.75% and also, for monetary policy relative to the US as well as the exchange rate to be the main factors behind their decisions. Moreover, we expect that synchronization with the Federal Reserve is the most likely scenario at the prospect of maintaining the current spread with the fed funds rate. In particular, the next movement of the overnight rate is expected to take place by the second half of the year.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Formal Job Creation Total	14-mar al 21-mar	Feb	-140000			-99694
National Unemployment Rate	15-Mar	Dec			9.00	9.0%
CNI Industrial Confidence	15-Mar	Mar			37.4	37.1
Tax Collections	15-mar al 22-mar	Feb			129384.85	129385m
FGV Inflation IGP-10 MoM	16-Mar	Mar	0.57		0.58	1.55%
FGV CPI IPC-S	16-Mar	1-mar			0.65	0.68%
FIPE CPI - Weekly	18-Mar	1-mar			0.94	0.80%
IGP-M Inflation 2nd Preview	18-Mar	Mar			0.43	1.24%
Chile						
Overnight Rate Target	17-Mar		3.5	3.5		3.5%
Current Account Balance	18-Mar	4Q			-2594.7	-2595
GDP QoQ	18-Mar	4Q	0.35	0.35	0.45	0.4%
GDP YoY	18-Mar	4Q	1.6	1.6		2.2%
Colombia						
Retail Sales YoY	14-Mar	Jan	0		2.23	0.3%
Industrial Production YoY	14-Mar	Jan	3.35		8.17	3.9%
Consumer Confidence Index	15-Mar	Feb			-21.0	-21.3
Trade Balance	17-Mar	Jan	-1631.5		-1521	-\$1429.0
Overnight Lending Rate	18-Mar		6.5		6.25	6.3%
Mexico						
Aggregate Supply and Demand	18-Mar	4Q				3.6%
Overnight Rate	18-Mar		3.75		3.75	3.8%
Peru						
Economic Activity YoY	15-Mar	Jan	4.5	3.6	3.41	6.4%
Unemployment Rate	15-Mar	Feb			6.90	6.6%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
03.17.2016	Chile: The CB maintains the MPR at 3.5% (In Spanish)
03.17.2016	Mexico: Fondeo rate unchanged at 3.75%
03.16.2016	Chile: Labour aggregates, job search efforts and Google trends
03.16.2016	Peru: Economic activity moderated in January (In Spanish)
03.14.2016	Chile: Unemployment rate will rise in the medium term (In Spanish)
03.14.2016	Brazil: Crisis without expiration date
03.10.2016	Peru: A difficult to decipher Central Bank (In Spanish)
03.10.2016	Colombia: Positive performance of Colombian economy in 2015
03.10.2016	Brazil: Copom in wait and see mode
03.09.2016	Peru: Economic Outlook (In Spanish)
03.09.2016	Brazil: Inflation (finally) starts to decline
03.08.2016	Chile: Without surprises, inflation in February stands at 0.3% mom (In Spanish)

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