

LatAm Daily | Colombia's CB considers necessary an increase in the benchmark interest rate

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We expect two additional 25bp increases for the MPR in April and May, taking the repo rate up to 7%. In Peru, CPI might have reached its peak in the 1Q16; we consider MPR will remain stable if expected inflation moderates. In Brazil, industrial production decreased more than expected (2.5% MoM) in February; GDP will likely contract again in 1Q16.

Brazil - Industrial output contracts sharply in February

After surprisingly expanding 0.4% MoM in January, industrial production decreased 2.5% MoM in February, somewhat more than we expected. By categories, the main adjustment was in consumption goods (-3.2% MoM, mostly due to a 5.3% MoM decline in the production of durable goods). Intermediate goods displayed a -2.0% MoM drop while capital goods remained broadly stable (0.3% MoM). In comparison to the same month last year, industrial production decreased 9.8%, which is another very clear symptom of the weakness of economic activity. Taking these figures into account, GDP will likely contract again in quarterly terms in 1Q16.

Colombia - Monetary policy minutes

The Central Bank published the minutes for its March meeting. According to the minutes, the members of the Board agree that it is necessary to continue increasing the benchmark interest rate. The Board considered that "although the increase in inflation expectations has moderated, the levels remain high". In addition, the minutes showed that within BanRep's Board there are still two distinct groups regarding the approach that needs to be taken concerning the pace of monetary policy tightening. One group proposed to continue with the 25bp increases seen over the last meetings, highlighting that inflation expectations have started to moderate and that the transmission of monetary policy rate increases is operating effectively. It also argued that the current account deficit for 2016 can be better than expected. The other group suggested a 50bp increase driven by the behavior of core inflation measures, indexation mechanisms, inflation expectations higher than the inflation target, and a higher-than-expected dynamism of domestic demand. In this context, we continue to expect two additional 25bp increases of the monetary policy rate in both the April and May meetings, taking the repo rate up to 7.0%.

Mexico - Some hawkishness, but synchronisation with the FED's stance remains as the base scenario

One month after the unexpected 50bp rate hike, some members of the board maintain a hawkish stance. In particular, they stressed that another rate hike independently of FED monetary policy cannot be dismissed if inflation expectations increase well above the target or another episode of high financial volatility arises. In addition, one of these members added that, given the uncertain conditions of the global economy, it is not convenient to reduce the short-term interest rate differential between Mexico and the US. In light of the minutes, we consider that synchronisation with the FED's monetary policy remains as the most probable scenario.

Peru - Inflation surprised downwards

CPI rose 0.60% MoM in March due to seasonal factors and weather anomalies. With this result, the YoY inflation rate went down from 4.5% in February to 4.3%. We estimate that it has already peaked in the first quarter. This should give the central bank room to keep unchanged its policy rate in the coming months if expected inflation also moderates from now on. (For further details, see our [flash in Spanish](#).)

What to watch today

No news are expected for today

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Vehicle Production Anfavea	06-abr	Mar				0
FGV Inflation IGP-DI MoM	07-abr	Mar	0,48			0,30%
FGV CPI IPC-S	08-abr	Apr 7				0,00%
IBGE Inflation IPCA MoM	08-abr	Mar	0,46			1,10%
Chile						
Central Bank Meeting Minutes	04-abr					7,59%
Economic Activity YoY	05-abr	Feb	2,1	2,1		1,28%
Economic Activity MoM	05-abr	Feb	1,00	0,9		1,21%
Trade Balance	07-abr	Mar	575,00			5,88%
Nominal Wage YoY	07-abr	Feb		5,7		131313
Nominal Wage MoM	07-abr	Feb		0,1		271278
CPI MoM	08-abr	Mar	0,5	0,6		0,79%
CPI YoY	08-abr	Mar	4,6	4,7		\$597
Colombia						
Exports FOB	05-abr	Feb	2200,00	2220		5,80%
CPI YoY	06-abr	Mar	7,70	7,59		1,40%
CPI MoM	06-abr	Mar	0,70	0,58		0,44%
CPI Core MoM	06-abr	Mar				0,36%
CPI Core YoY	06-abr	Mar				2,87%
Mexico						
Gross Fixed Investment	05-abr	Jan	1,00	0,8%		0,10%
Vehicle Production AMIA	06-08 Apr	Mar				0,30%
CPI MoM	07-abr	Mar	0,17	0,17		2,71%
CPI Core MoM	07-abr	Mar	0,40	0,43		
CPI YoY	07-abr	Mar	2,61	2,63		0,30%
Bi-Weekly CPI	07-abr	1-mar	0,17	0,2		4,70%
Bi-Weekly Core CPI	07-abr	1-mar	0,08	0,14		0,90%
Bi-Weekly CPI YoY	07-abr	1-mar	2,53	2,54		10,36%
Consumer Confidence Index	08-abr	Mar	91,80	92,1		88,7
Nominal Wages	08-abr	Mar				4,20%
Peru						
Trade Balance	08-11 Apr	Feb	-200,00	-\$211m		-\$519m

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
04.01.2016	Mexico: Remittances grow 13.6% in February 2016, reaching a flow of 2093.2 m d (In Spanish)
04.01.2016	Peru: Inflation surprised downwards and should tend to moderate from now on (In Spanish)
04.01.2016	Mexico: Credit to the private sector: continues its dynamism due to companies & consumers (In Spanish)
04.01.2016	Mexico Weekly: Investment & confidence outlook suggest an expansion in economic activity (In Spanish)
03.31.2016	Chile: We forecast CPI for March: 0.6% MoM (4.7% YoY)
03.31.2016	Chile: Despite significant creation of self-employment, unemployment rises to 5.9% (In Spanish)
03.31.2016	Brasil: No time (yet) for a monetary easing
03.30.2016	Chile: IMACEC in February between 2% and 2.5% (In Spanish)
03.29.2016	Mexico: Bank deposits: loses ground due to less dynamism in its two components (In Spanish)
03.29.2016	Peru: Exports fell nearly 9% YoY in February (In Spanish)

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