

## LatAm Daily | CB in Colombia surprisingly increase its monetary policy rate 50bp up to 7%

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*The rise in the MPR aims to contribute to the abatement of inflation expectations and for convergence to the CB's target in 2017. In Chile aggregate activity figures showed a slight recovery in March mainly driven by natural resources or primary sectors. Mexico grew by 0.8% QoQ in 1Q16, higher than expected.*

### Brazil - Another primary fiscal deficit in March

The public sector posted a BRL10.6bn deficit in March, as the activity slowdown continued to affect public revenues and public expenditure remained at relatively high levels (mainly due to structural reasons). Therefore, in the year to date the public sector has accumulated a BRL5.7bn deficit, in contrast with the BRL19.0bn surplus recorded in the same period last year. In the last twelve months the primary deficit now stands at 2.3% of GDP, in comparison with 2.1% of GDP in February. The total deficit eased to BRL10.0bn in March (9.7% of GDP in the last twelve months, in comparison with 10% in February and 10.4% in December 2015) as the currency depreciation allowed the government to earn BRL42.7bn for holding around USD100bn in exchange rate swaps. As a consequence, the gross public debt decreased slightly, to 67.3% of GDP from 67.6% of GDP in February. Looking forward, we expect no very significant improvements regarding the fiscal situation and, therefore, forecast primary and total fiscal deficits to reach, respectively, 1.5% of GDP and 9.0% of GDP this year. In line with that scenario, the gross public debt should close the year above 70% of GDP.

### Chile - Unemployment rate surged to 6.3%, showing increasing slack

The jobless rate increased to 6.3% in March (from previous 5.9%), driven by a 1.3% YoY rise in job-creation (mainly self-employment) as against the 1.4% YoY growth in the labour force. Annual job-creation was driven by construction, hotels and restaurants, which was partially offset by the negative contribution from mining and manufacture. Figures show that the public sector started to contribute negatively to salaried jobs. Overall, the labour market started to show increasing signs of slack (see our [Chile Flash](#) in Spanish for details).

### Chile - Imacec should increase in a range between 2.0%/2.5% YoY of in March

Manufacturing output increased by 2.7% YoY (BBVAe 1.5% YoY, consensus 1.9% YoY), mainly driven by elaborated metals, while mining production showed an expansion of 4.9% supported by a strong surge in molybdenum output (+44.9% YoY) but also increase in copper production (+3.0% YoY). Meanwhile, retail sales decelerated to 1.4% YoY (BBVAe: +3.8% YoY, consensus: +3.9% YoY), explained by non-durable consumption and the absence of strong calendar effects showed in February. All in all, aggregate activity figures showed a slight recovery (mainly in natural resource or primary sectors) and suggest that Imacec grew between 2.0%/2.5% YoY during March. This figures should freeze further downward correction in GDP growth expectations for this year (see our [Chile Flash](#) in Spanish for details).

## Colombia- BanRep's Board surprisingly increase its monetary policy rate 50bp up to 7%

During its April meeting the Central Bank decided to increase the monetary policy rate, a decision that was unexpected by the consensus and us. During the press conference, CB's Managing Director, José Dario Uribe, said that the decision was taken by majority. According to the communiqué, the main drivers of this decision were the recent behavior of inflation, the perception of a higher risk for the convergence of inflation to its target -despite the temporary nature of the price and FX shocks-, and considerations regarding domestic demand. It is important to note that the Board highlighted that inflation expectations remain high, in a context where there is overspending on national income and the risk of an excessive slowdown in demand is moderate. That said, the Board considered that the 50bp is in line with the effort to ensure that inflation will converge to the target in 2017 and will contribute to moderate the current account deficit.

## Mexico - Preliminary 1Q GDP growth above expectations at 0.8% QoQ

According to a preliminary figure the economy grew 0.8% QoQ SA during the first three months of the year (BBVAe 0.4% QoQ, consensus 0.7% QoQ). This growth rate is explained mainly by a sharp increase of the industrial sector (1.5% QoQ) that represents around one third of the total economy. It is worth noting that this growth was unexpected given the feeble performance of the manufacturing exports that reflects to some extent the weakness in the US industrial sector. In addition, the services sector, that represent around 60% of the mexican economy, stepped up 0.8% QoQ, a figure that reinforces the idea that the private consumption remains as the main engine. It is important to stress that a quarterly growth rate of this magnitude during a first quarter had only be seen three times since 1980, and never after a negative average growth rate of the US industrial production during the previous year.

## What to watch today

No news is expected for today

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FGV CPI IPC-S	02-may	Apr 29				0.38%
Trade Balance Monthly	02-may	Apr				\$4435m
FIPE CPI - Monthly	03-may	Apr				0.97%
Industrial Production MoM	03-may	Mar				-2.50%
COPOM Monetary Policy Meeting Minutes	05-may					
Serasa April Retail Activity	05-may					
FGV Inflation IGP-DI MoM	06-may	Apr				0.43%
IBGE Inflation IPCA MoM	06-may	Apr	0.53	0.52		0.43%
<b>Chile</b>						
Economic Activity YoY	05-may	Mar	1.80	2.4%		2.80%
Economic Activity MoM	05-may	Mar		0.6%		0.80%
Nominal Wage YoY	05-may	Mar				5.40%
CPI YoY	06-may	Apr	4.20	4.1%		4.50%
CPI MoM	06-may	Apr	0.30	0.2%		0.40%
<b>Colombia</b>						
Economic Activity Index SA YoY	05-may	Feb	3.35			3.20%
CPI YoY	06-may	Apr	8.10			7.98%
CPI MoM	06-may	Apr	0.64			0.94%
CPI Core MoM	06-may	Apr				0.66%
CPI Core YoY	06-may	Apr				6.20%
<b>Mexico</b>						
Central Bank Economist Survey	02-may					
Vehicle Domestic Sales AMIA	02-04 abr	Apr				116863
IMEF Manufacturing Index SA	03-may	Apr				51.6
IMEF Non-Manufacturing Index SA	03-may	Apr				50.8
Gross Fixed Investment	04-may	Feb				0.10%
Leading Indicators (MoM)	04-may	Mar				-0.17
Overnight Rate	05-may	May 05	3.75			3.75%
Consumer Confidence Index	06-may	Apr				89.2

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
04.26.2016	<a href="#">Peru: Value of total exports continues to shrink</a> (In Spanish)
04.23.2016	<a href="#">Mexico: Bank deposits: loss of momentum driven by term deposits</a> (In Spanish)
04.22.2016	<a href="#">Mexico Weekly: The sluggishness of investment and exports will limit GDP growth</a> (In Spanish)
04.15.2016	<a href="#">Mexico Weekly: Government measures alleviate the liquidity problems of PEMEX</a> (In Spanish)
04.15.2016	<a href="#">Peru: GDP growth accelerated in February</a> (In Spanish)
04.15.2016	<a href="#">Peru: Central Bank: MPR unchanged</a> (In Spanish)
04.13.2016	<a href="#">Mexico: Federal Government support allows Pemex to improve its financial situation in 2016</a> (In Spanish)
04.12.2016	<a href="#">Chile: Policy rate keeps at 3.5%, but the restrictive tone is moderated</a> (In Spanish)
04.08.2016	<a href="#">Mexico Weekly: An unfavorable industrial performance corroborates moderate growth outlook</a> (In Spanish)
04.08.2016	<a href="#">Brasil: Times of two-digit inflation are over</a>

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