

LatAm Daily | Today we expect the Colombian CB to increase its MPR by 50bps, up to 7.5%

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In today's May MP meeting we anticipate the CB's Board to increase its MPR by 50bps, as well as maintain this expected level of the repo rate for the rest of the year. Yesterday, business confidence figures for Colombia came in positively, showing the recovery process in the manufacturing sector and the possibility of a more gradual slowdown in household spending.

Colombia - Positive signs in business confidence

In April, industrial confidence stood at 5.9 (in a range between -100 and 100), slightly above March 2016 and April 2015's figures (4.1 and -0.1, respectively). The recovery in orders and an additional reduction of stocks boosted the performance of manufacturing expectations for the month. Moreover, industrialists assessed positively the advance in exports orders, after five consecutive quarters in negative territory. In addition, the commercial confidence index surprised on the upside, settling at 26.0 (vs BBVAe: 15), despite the gradual deceleration in private consumption. All in all, industrial confidence confirms the recovery process in the manufacturing sector, and the strength of commercial confidence indicates that the slowdown in household spending could be more gradual than our outlook.

Colombia - Moody's confirms Colombia's rating

Moody's confirmed Colombia's government Baa2 issuer and senior unsecured bond ratings with a stable outlook. According to the report, Colombia's policy framework and the expected structural tax reform - to ensure compliance with fiscal rules and preserve the sovereign's credit quality - are the main factors behind this decision. In addition, the Minister of Finance, Mauricio Cárdenas, mentioned in a press release that this announcement is positive for the country and he highlighted that Moody's recommended that the tax reform be submitted in 2H16 and that it continue working on the peace process.

What to watch today

Colombia - Central Bank policy meeting (No set time)

BanRep's Board will hold its May monetary policy meeting. We anticipate the CB's Board to increase its monetary policy rate 50bp taking the repo rate up to 7.5% (consensus: 7.25%). In our view, some elements have gained momentum in the monetary policy discussion, in line with our call. Among these, it is important to highlight the discussion regarding national spending over national income levels, and the objective of achieving the inflation target in 2017. Finally, our central scenario contemplates that the monetary policy rate tightening cycle is close to an end, and that this expected level of the repo rate will be maintained for the rest of the year.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	23-may	may-22	0.7		0.68	0.67%
Trade Balance Weekly	23-may	may-22			1010	\$1747m
FGV Consumer Confidence	24-may	May			67.9	64.4
Current Account Balance	24-may	Apr	-900		412	-\$855m
FIPE CPI - Weekly	25-may	may-23	0.48		0.5	0.41%
Chile						
Central Bank's Traders Survey	25-may	May				
Colombia						
Retail Confidence	26-may	Apr		15.00	26	25.5
Industrial Confidence	26-may	Apr		6.20	5.9	4.1
Overnight Lending Rate	27-may	may-27	7.25	7.5		7.00%
Mexico						
Retail Sales MoM	23-may	Mar	0.1		3	0.20%
Retail Sales YoY	23-may	Mar	4.8		6.4	9.60%
Bi-Weekly CPI	24-may	may-15	-0.31	-0.15	-0.48	-0.09%
Bi-Weekly Core CPI	24-may	may-15	0.11	0.07	0.08	0.16%
Bi-Weekly CPI YoY	24-may	may-15	2.68	2.87	2.53	2.48%
Trade Balance	25-may	Apr	-570	-366	-2079.56	155.0m
Current Account Balance	25-may	1Q	-8300		-6991.42	-\$7698m
Mexican Central Bank Releases Inflation Report	25-may					
Unemployment Rate SA	27-may	Apr	4.15			4.19%
Unemployment Rate NSA	27-may	Apr	4.1			3.74%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
05.25.2016	Mexico: Less possibilities of a rate hike in an unscheduled meeting (In Spanish)
05.25.2016	Peru: The dynamism of exports continues to increase (In Spanish)
05.23.2016	Chile Economic Outlook. Second Quarter 2016
05.20.2016	Mexico: Bank deposits: improved performance driven by its two components (In Spanish)
05.20.2016	Mexico Weekly: Increased likelihood of a Fed hike in June influences the peso de preciation (In Spanish)
05.19.2016	Argentina: Argentina Economic Outlook. Second Quarter 2016 (In Spanish)
05.19.2016	Mexico: Possible MPR hike & FX intervention only if MXN underperforms EM cur rencies again (In Spanish)
05.18.2016	Chile: GDP grows by 5.3% QoQ in 1Q16 annualized by factors that can be non- permanent (In Spanish)
05.18.2016	Chile: Central Bank kept policy rate at 3.5% as widely expected (In Spanish)
05.16.2016	Peru: Mining and public investment continued to support economic growth in Mar ch (In Spanish)

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