

LatAm Daily | In Colombia, inflation rose in May and GDP increased in 1Q16 at lower levels

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As we expected, CPI rose by 0.51% MoM in May (8.2% YoY), the highest level in 15 years as a consequence of the rise in electricity tariffs, while food inflation was low. We expect inflation to decrease in the coming months. GDP in 1Q16 decelerated (2.5% YoY) gradually with respect to last year's GDP. Moreover, exports did not show any recovery; they fell by 24.8% in April.

Colombia - Slowdown of the Colombian economy remains very gradual

In the first quarter of 2016, Colombian GDP grew 2.5% YoY. The economy decelerated with respects to the growth observed at the end of 2015 (3.3% YoY in 4Q15) and the previous year (3.1% YoY). However, the slowdown in activity has been very gradual, with a change in the growth composition. In fact, the leading sectors moved from services, which slowed markedly since 2015, to manufacturing and medium-price housing construction. In particular, industry, although still not showing sharp gains in exports, is successfully replacing some niche markets that were previously provided by external products in a genuine process of import substitution. As the year unfolds, we expect a further slowdown in the commercial and mining sectors: the former as a result of lower growth in retail sales, and the latter as a result of lower oil and coal production. Also, we anticipate a manufacturing consolidation (with and without the Cartagena Refinery) and good dynamism in construction due to the momentum of medium-price housing and the start of the 4G infrastructure program in the second half of this year (See [BBVA Research flash](#)).

Colombia - Exports do not show a sustained recovery

In April, exports fell 24.8% (BBVAe: -25.6%), settling at USD 2,419 mn. (BBVAe: 2,393). Agricultural and manufacturing exports (-0.9%) failed to offset the sharp decrease in oil shipments (-42.1%). We expect a recovery of non-mining exports for the end of 2016, so the adjustment of the current account balance is explained predominantly by the anticipated drop in imports and sending profits abroad (both figures in dollars) this year.

Colombia - Inflation reaches its highest level in 15 years but is set to decrease

The consumer price index rose 0.51% MoM in May (8.2% YoY, the highest rate in 15 years), in line with market expectations (BBVAe: 0.50%, Bloomberg: 0.46%). However, food inflation (0.46%) was below our forecast (0.70%) and was offset by the surprise brought about by the rise in electricity tariffs. This suggests that the pressures of El Niño on food inflation are running out. We believe that inflation is already close to its maximum and in the coming months, in addition to the correction in food prices, we will see a slowdown in the inflation of regulated and tradable components. This, in conjunction with a base effect (2H15 witnessed an acceleration of inflation from 4.4% in June to 6.8% in December), will help inflation decline in the second half of the year.

What to watch today

Chile - Monthly economic activity index (April, 08:30hrs NYT)

We expect the Imacec to have increased by around 1.5% YoY in April. The figure is likely to be driven by positive contributions from commerce and services.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Vehicle Sales Anfavea	06-jun	May				162939
Trade Balance Weekly	06-jun	jun-05				
FGV Inflation IGP-DI MoM	07-jun	May	0.9			0.36%
FGV CPI IPC-S	08-jun	jun-07	0.61			0.64%
IBGE Inflation IPCA MoM	08-jun	May	0.75	0.68		0.61%
Selic Rate	08-jun	jun-08	14.25	14.25		14.25%
IGP-M Inflation 1st Preview	09-jun	Jun	0.67			0.59%
Chile						
Economic Activity YoY	06-jun	Apr	1.85	1.50%		2.10%
Economic Activity MoM	06-jun	Apr	-0.3	1		-0.10%
Trade Balance	07-jun	May	450	\$412		\$556
Exports Total	07-jun	May	4662.5	\$4725		\$5068
Imports Total	07-jun	May	4060	\$4313		\$4513
Copper Exports	07-jun	May				\$2166.2
Nominal Wage YoY	07-jun	Apr	5.2	5.2		5.40%
Vehicle Sales Total	07-10-jun	May				22401
CPI YoY	08-jun	May	4.3	4.3		4.20%
CPI MoM	08-jun	May	0.3	0.3		0.30%
CPI Ex Food and Energy MoM	08-jun	May	0.2	0.1		0.30%
Central Bank's Traders Survey	08-jun	Jun				
Central Bank's Economist Survey	10-jun	Jun				
Colombia						
Colombia Monetary Policy Minutes	10-jun					
Mexico						
Consumer Confidence Index	06-jun	May	89.7			88.9
Vehicle Exports AMIA	06-jun	May				197020
Vehicle Production AMIA	06-jun	May	287160			269604
CPI MoM	09-jun	May	-0.46			-0.32%
CPI Core MoM	09-jun	May	0.22			0.22%
CPI YoY	09-jun	May	2.59			2.54%
Bi-Weekly CPI	09-jun	may-31	0.13			-0.48%
Bi-Weekly Core CPI	09-jun	may-31	0.12			0.08%
Bi-Weekly CPI YoY	09-jun	may-31	2.62			2.53%
Industrial Production NSA YoY	10-jun	Apr	0.6			-2.00%
Industrial Production SA MoM	10-jun	Apr	-0.1			-0.20%
Manuf. Production NSA YoY	10-jun	Apr	1.25			-1.50%
Peru						
Trade Balance	09-13-jun	Apr	-100			-\$69m
Reference Rate	10-jun	jun-09	4.25	4.25		4.25%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
06.03.2016	Chile: The unemployment rate increased slightly to 6.4% in April (In Spanish)
06.03.2016	Mexico Weekly: Fed hike less likely due to weak U.S jobs data (In Spanish)
06.03.2016	Colombia: Slowdown of the Colombian economy remains very gradual
06.02.2016	Mexico: Banking and financial system monthly report. June 2016 (In Spanish)
06.02.2016	Mexico: Credit to private sector: moderated dynamism due to slower corporate credit pace (In Spanish)
06.01.2016	Chile: Tax revenues fell despite higher tax rates and spending accelerates (In Spanish)
06.01.2016	Peru: Inflation keeps falling... (In Spanish)
06.01.2016	Mexico: Remittances grow 8.3% in April with a 2,173.4 md (In Spanish)
06.01.2016	Chile: Minutes of May's monetary policy meeting: keep rates on hold was the only option (In Spanish)
06.01.2016	Brazil: A milder GDP contraction in 1Q16

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