

LatAm Daily | Industrial production in April surprised on the downside in Mexico

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Although we expected an increase of 0.2% in the industrial production index in Mexico, it contracted by 0.7% MoM, affected mostly by mining (-2.0%) and manufacturing (-0.7%). In Chile, the expectation survey showed a downward revision of 2017 GDP growth prospects, an expected pause in rates at 3.5% in 2016, and inflation of 3.5% in 2016 and of 3% in 2017: the CB's target.

Chile - Expectation survey showed a downward revision of 2017 GDP growth prospects

The economic expectation survey showed an inflation forecast at +0.3% MoM for June, while long-term inflation expectations remain anchored to the Central Bank's target of 3% YoY. Inflation forecasts for the end of 2016 are for +3.5% YoY (BBVAe: +3.2% YoY). Meanwhile, GDP growth forecasts for 2016 stabilised at 1.7%, while expectations for 2017 declined to 2.3%. May's Imacec is expected to increase 1.6% YoY. Finally, in terms of monetary policy, the survey's results indicated a pause in rates at 3.50% during the rest of 2016.

Colombia - Central Bank minutes (May)

According to BanRep's latest minutes, all members were in favour of continuing to increase the repo rate, although there were some differences regarding the magnitude of the increase during May's meeting. The majority of the CB's Board voted for a 25bp increase based on the increase of the real interest rate in real terms, and the relevance of including future information regarding international monetary conditions. On the other hand, a group of Board members voted for a 50 bps increase based on the importance of anchoring inflation expectations more clearly and facilitating the convergence of inflation to the target range in 2017. All in all, it is important to note that our central scenario contemplates that the repo rate will be increased up to 7.5% in June's meeting.

Mexico - The industrial production index decreased -0.7% (MoM, sa)

We expected a moderate monthly increase of the industrial production index of 0.2%, however, the data provided indicated an important contraction of -0.7%. By sector, the monthly rate of growth was: mining, -2.0%; utilities, 0.6%; construction industry, -0.1%; manufacturing -0.7%. The annual rate of growth of the industrial sector was -0.9% (YoY, sa). The industrial production data will influence the monthly activity index (IGAE or monthly measure of GDP) downwards, and very positive behaviour from the service sector will be required in April for the IGAE to show a monthly positive rate of growth for that month.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Tax Collections	13-20 jun	May	94850			110895m
Formal Job Creation Total	13-17 jun	May	-85000			-62844
Retail Sales MoM	14-jun	Apr	0.5	1%		-0.90%
CNI Industrial Confidence	14-jun	Jun				41.3
FGV Inflation IGP-10 MoM	15-jun	Jun	1.27			0.60%
IBGE Services Sector Volume YoY	15-jun	Apr	-4.7			-5.90%
Economic Activity MoM	15-jun	Apr	0.3	0%		-0.36%
FGV CPI IPC-S	16-jun	jun-15	0.54			0.59%
COPOM Monetary Policy Meeting Minutes	16-jun					
FIPE CPI - Weekly	17-jun	jun-15				
IGP-M Inflation 2nd Preview	17-jun	Jun	1.25			0.68%
Chile						
Overnight Rate Target	17-jun	jun-16	3.50	3.50		3.50%
Colombia						
Retail Sales YoY	16-jun	Apr	3.55			-2.90%
Industrial Production YoY	16-jun	Apr	7			1.40%
Consumer Confidence Index	17-jun	May	-9.5			-13
Peru						
Economic Activity YoY	15-jun	Apr	3.8	2.80%		3.70%
Unemployment Rate	15-jun	May	7.1			7.00%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
06.10.2016	Mexico Weekly: New episode of peso adjustment resulting from proximity of the Fed meeting (In Spanish)
06.10.2016	Peru: The Central Bank maintains rates in 4.25% in a context of decrease of inflation (In Spanish)
06.09.2016	Colombia: Where are we in Financial Inclusion? (In Spanish)
06.08.2016	Brazil: Inflation stopped falling in May but will continue to trend down going forward
06.08.2016	Chile: May's CPI (0.2% MoM) shows a inflation slowdown higher than expected (In Spanish)
06.07.2016	Colombia: Inflation accelerates in May in line with expectations
06.06.2016	Chile: MP report: cut in economic activity growth with greater, but still insufficient, monetary stimulus (In Spanish)
06.06.2016	Chile: Imacec increased 0.7% YoY in April, missing expectations (In Spanish)
06.06.2016	Brazil: Brazil's potential GDP falls to around 1%
06.03.2016	Chile: The unemployment rate increased slightly to 6.4% in April (In Spanish)

Mexico - Industrial production index (April, 9:00hrs NYT)

We expect the industrial production index of April 2016 to have increased 0.2% and 0.4% on a monthly and annual basis, respectively, both seasonally adjusted. Note that in March the monthly and annual growth rates were -0.2% and 0.3%, respectively. The magnitude of these growth rates shows that the performance of industrial activity is weak and our forecast for April indicates that it will continue to be weak in the short run.

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