

Daily LatAm | In Colombia and Mexico industrial production made a weak start to the year

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In Peru, the central bank decided to keep the benchmark rate unchanged but accentuated the bias towards easing its monetary stance in the short term, which will be subject to a decline in exchange-rate pressures.

Brazil – Better than expected retail sales indicators in January

Rather than declining somewhat, as expected, retail sales grew by 0.8% MoM in January, reflecting an expansion of 5 out its 8 components. The broad retail sales indicator, which also includes vehicles and construction material, expanded by 0.6% MoM in spite of the 0.5% MoM contraction in vehicles sales. Therefore, rather than showing that economic retail sales continued to weaken in January after a 3.6% MoM drop in December, figures released on Friday showed that there was a small -and probably short-lived- correction in the first month of the year. Anyway, we expect rising inflation, the tightening of economic policies, the ongoing moderation in credit and labour markets to weigh on household decisions and prevent retail sales from continuing growing significantly in future.

Colombia – Retail sales decelerated in January

In line with our expectations retail sales in January rose 6.1% YoY in January (BBVAe: 5.9%, Bloomberg: 8.5%) after a 9.6% increase in December. All categories, with the exception of cars (-6.1% YoY), registered a positive variation; food and home appliances led the contribution to annual growth. This result, along with the fall in consumer confidence in February (14%, down from 19.9% in January), anticipate that retail sales will moderate in the coming months.

Colombia – Industrial production declined 2.5% YoY in January

According to the National Statistical Office (DANE), industrial production declined 2.5% YoY in January, standing below both consensus (Bloomberg: +1.0% YoY) and our own forecast (BBVAe: +1.5% YoY). According to the report, 23 out of 39 industrial activities registered yearly declines. In January, the main drivers to the downside were oil refining, sugar and printing industries. On the other hand, the main drivers to the upside were the beverage industry, basic chemical products, and iron and steel mills. It is important to note that DANE made some methodological adjustments in industrial production prints and that the complete set of series are going to be published with February's report.

Mexico – Industrial production fell in January 0.4% MoM, sa. This print indicates a downward bias to our growth expectations for 2015

According to INEGI, Mexico's industrial production fell 0.4% MoM sa in January, equivalent to 0.8% YoY sa. In the original series, industrial production grew 0.3% annually. The negative monthly growth of industrial production in January was mainly due to a fall in construction (-1.5% MoM, sa), mining (-0.5% MoM, sa) and manufactures (-0.1% MoM, sa), which have now contracted for a second month in a row. Electricity, gas and water only increased 0.4% MoM, sa. The performance of industrial production in January is bad news for the country's economic growth for the first quarter and depresses expectations about economic developments in 2015. This negative result is combined with high volatility in financial markets and the expectation of increases in interest rates and fiscal contraction, given the low revenue linked to the fall in production and international prices of Mexican crude. Today's data are also related to the strong links between Mexican industry with the external sector, in particular the evolution of US manufactures, which in January decreased 0.4% MoM, sa (See Mexico Flash Industrial production).

Peru – The central bank decided to keep the benchmark interest rate at 3.25%

The central bank decided to keep the benchmark interest rate at 3.25%, as we anticipated, but has accentuated the bias to ease monetary policy due to the decline in trust of consumers and entrepreneurs. In this context, we maintain our forecast that the central bank will cut its rate in the short term, which will be subject to a reduction in exchange-rate pressures.

What to watch today

Brazil – Economic activity indicator (January, 6:30hrs)

The better-than-expected expansion in both retail sales and industrial production in January supports the view that the BCB's economic activity indicator will grow around 0.2% MoM, erasing part of the 0.6% MoM decline recorded in December. This should not be taken as an indication of strength, as economic activity will be sharply hit by series of negative factors (decline in Brazil's terms of trade, tightening of fiscal and monetary policies, water and energy scarcity, crisis at Petrobras, etc.).

Peru – GDP (January, 12:00hrs NYT)

We estimate that GDP grew 2.1% YoY in January, slightly higher than the previous two months, which is mainly explained by the slight recovery of primary sectors, especially in the mining sector (5.6%). However, the sectors related to domestic demand are still showing weak growth.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	16-Mar	Mar-19	1.42%		-	1.3%
Economic Activity MoM	16-Mar	Jan	0.02%	0.20%	-	-0.6%
Formal Job Creation Total	16-Mar	Feb	26500		-	-81774
Tax Collections	16-Mar	Feb	85800M		-	125282M
FGV Inflation IGP-10 MoM	17-Mar	Mar	0.81%		-	0.4%
CNI Industrial Confidence	17-Mar	Mar			-	40.2
FIPE CPI - Weekly	19-Mar	Mar-19	0.91%		-	1.0%
IBGE Inflation IPCA-15 MoM	20-Mar	Mar	1.24%	1.18	-	1.3%
Chile						
GDP QoQ	18-Mar	4Q	0.92%	0.93%	-	0.4%
Overnight Rate Target	19-Mar	Mar-23	3.0%	3.0%	-	3.0%
Colombia						
GDP YoY	17-Mar	4Q	4%		-	4.2%
Trade Balance	20-Mar	Jan	-1660		-	-1452.7
Retail Confidence	20-Mar	Feb			-	22.7
Industrial Confidence	20-Mar	Feb			-	80.0%
Overnight Lending Rate	20-Mar	Mar-24	4.50%		-	4.5%
México						
Retail Sales YoY	20-Mar	Jan	3%	2.91%	-	2.4%
Perú						
Unemployment Rate	16-Mar	Feb	7%		-	6.4%
Economic Activity YoY	16-Mar	Jan	1.80%	2.10%	-	0.5%

Fuente: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
03.13.2015	Mexico: Industrial production fell in January 0.4% MoM, sa
03.09.2015	Mexico: Still little evidence of pass-through
03.06.2015	Chile: Once again CPI inflation above expectations in February
03.06.2015	Colombia: Monthly inflation in February stood at 1.15%, taking the annual print up to 4.36%.
03.05.2015	Chile: Imacec at 2.7% YoY support additional upwards revision in GDP growth expectations of market consensus
03.05.2015	Mexico: Remittances fell in January (-0.7% YoY) after 17 consecutive months of growth
03.05.2015	Brazil Flash: Another 50bp adjustment of the SELIC rate
02.27.2015	Mexico Weekly: All eyes on consumer and producer confidence as indicators of economic performance in the first quarter
02.23.2015	Mexico Weekly Flash: The quarterly GDP growth in the fourth quarter of 2014 was 0.7% (In Spanish)

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