

LatAm Daily | Inflation in Mexico but with no evidence of FX pass-through

Cecilia Posadas / Enestor Dos Santos / Jorge Redondo / Jorge Selaive Carrasco / Juana Téllez Corredor / Carlos Serrano Herrera / Hugo Perea Flores

The downside surprise in inflation in the first fortnight of March was driven by core inflation. The March print is likely to confirm the weak evolution of core inflation during the first quarter against a backdrop of a depreciating currency, which suggests that internal demand remains rather weak.

Mexico – Inflation surprised to the downside in the first half of March

The downside surprise was driven by core inflation. There was still no evidence of pass-through, probably because domestic demand remains weak. In the first fortnight of March declines in meat and poultry prices more than offset a mild increase in fruit and vegetable prices. Petrol prices registered a significant increase; however these increases cannot be greater than 3% throughout the year which puts a limit on any potential increases in the coming months. We maintain our year-end forecast for general inflation at 2.9% (2.8% core inflation). (See [Mexico Flash](#) for more details)

What to watch today

Mexico – Global Economic Activity Indicator (January, 09:00hrs NYT)

We expect the Global Economic Activity Indicator, the IGAE, to show YoY growth in January of 2.4%, seasonally adjusted (sa). The INEGI will publish January's IGAE figure on 25 March. We would expect to see a certain slowdown in economic growth in January, because of the fall in industrial growth over the same period (-0.4 MoM, sa) and only a moderate performance in services, in view of the latter's 2.1% MoM, sa increase in retail sales in January. Note that in December the IGAE increased 2.3% YoY, sa, which in monthly terms translated into a 0.3% fall.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	23-Mar	Mar-26	1.58%		1.47%	1.49%
FGV Consumer Confidence	25-Mar	Mar	--		--	85.4
Foreign Direct Investment	25-Mar	Feb	\$3200M		--	\$3968M
Current Account Balance	25-Mar	Feb	-\$7300M		--	-\$10654M
Unemployment Rate	26-Mar	Feb	5.70%		--	5.30%
GDP QoQ	27-Mar	4Q	-0.10%		--	0.10%
GDP YoY	27-Mar	4Q	-0.70%		--	-0.20%
Total Outstanding Loans	27-Mar	Feb	--		--	3013B
Outstanding Loans MoM	27-Mar	Feb	--		--	-0.20%
CNI Consumer Confidence	27-Mar	Mar	--		--	100
Chile						
PPI MoM	24-Mar	Feb	--		1.10%	-3.80%
Central Bank's Traders Survey	25-Mar	Jan-04	--		--	0
Mexico						
Aggregate Supply and Demand	23-Mar	4Q	3.80%		4%	3.00%
Bi-Weekly CPI	24-Mar	Mar-19	0.25%	0.32%	0.18%	0.08%
Bi-Weekly CPI YoY	24-Mar	Mar-19	3.06%	3.12%	--	2.97%
Economic Activity IGAE YoY	25-Mar	Jan	1.90%	2.40%	--	3.15%
Overnight Rate	26-Mar	Mar-30	3%	3%	--	3.00%
Unemployment Rate SA	27-Mar	Feb	4.46%	4.46%	--	4.43%
Unemployment Rate NSA	27-Mar	Feb	4.46%	4.55%	--	4.51%
Trade Balance	27-Mar	Feb	442.5M		--	-3247.5M

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
03.24.2015	Chile: We expect March PCI to be 0.78% MoM (4.4% YoY) (In Spanish)
03.24.2015	Colombia: La equidad en el Plan (In Spanish)
03.24.2015	Mexico: Core inflation leads the downside surprise
03.20.2015	Colombia: BanRep kept its monetary policy rate on hold at 4.5%
03.19.2015	Chile: Central bank kept policy rate at 3.00% in March's meeting
03.18.2015	Chile: GDP grew 1.9% in 2014, gaining momentum due to countercyclical fiscal policy
03.17.2015	Peru: The cyclical slowdown is not over yet...
03.13.2015	Mexico: Industrial production fell in January 0.4% MoM, sa
03.09.2015	Mexico: Still little evidence of pass-through

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.