

LatAm Daily | IGAE index in Mexico anticipates moderate growth in 1Q15

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Today will be watching Mexico's CB decision on the MPR where we do not expect any changes; we believe that the monetary stance relative to the US will be the catalyst for the first rate hike in the reference rate in Mexico. Today also we are awaiting the inflation report in Brazil where we expect the BCB to adjust its inflation forecast for 2015 significantly upwards but downwards for 2016, reinforcing the expectation that the tightening cycle in the Selic rate is near to an end.

Mexico – Global Economic Activity Indicator in January increased only 0.22% MoM, sa

The slow evolution of domestic demand was reflected in the monthly performance of the Global Economic Activity Indicator (IGAE). In January the IGAE increased 0.22% MoM, sa. Agriculture and services increased 6.66% MoM, sa, and 0.44% MoM, sa, respectively. Meanwhile, manufacturing fell 0.43% MoM, sa. The annual growth rate of this indicator in January was 2.58%, sa. However, this implies a weak start of economic activity in the first month of the year, which anticipates a pattern of moderate growth for the first quarter of 2015.

What to watch today

Brazil – Labour market report (February, 7:00hrs NYT)

We expect the unemployment rate to continue to trend up and reach 5.7% in February (vs. 5.3% in January) in line with a moderation in job creation and a more significant increase in labour supply. Real wages should continue to grow, although at a lower pace than some months ago.

Mexico – Overnight rate (8:00hrs NYT)

We expect the monetary policy rate to be left unchanged at 3.0% because of the uncertainty about the beginning of the Fed's normalisation cycle. In its latest statement, Banxico has repeated that the impact on inflation of the Fed's monetary normalisation process will be an important factor when it makes its own decision. Moreover, the most recent meeting minutes reflect some committee members' opinions that Mexico should even act before the Fed's first interest rate hike. Based on the central bank's statement, we expect the benchmark to remain unchanged until September, for the following reasons: i) the depreciation of the peso, affected by the uncertainty regarding the Fed's decisions, would have a low pass-through on consumer prices in the next few months, with the implication that convergence towards the 3.0% target will not be put at risk this year, and ii) at the moment there is no clarity about the date when the Fed will start its cycle of monetary rate hikes, but recent data showing weaker economic activity in the US and the downwards revision to the FOMC federal funds outlook indicate that this may take place towards the third quarter of this year.

Brazil – Inflation Report (1Q15, 8h30hrs NYT)

We expect the BCB to significantly raise its inflation forecasts for 2015. Regarding inflation in 2016, the most relevant period in terms of monetary policy, we believe its forecasts will be revised downwards, in line with the BCB's recent communication saying that the scenario of inflation converging to 4.5% YoY by then has been strengthening. This likely reduction of forecasts for 2016 should reinforce the view that the Selic tightening cycle is close to an end (we expect a final 25bp adjustment in April).

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	--		82.9	85.4
Foreign Direct Investment	25-Mar	Feb	\$3200M		\$2768.9M	\$3968M
Current Account Balance	25-Mar	Feb	-\$7300M		-\$6878.66M	-\$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%			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%	2.97%
Economic Activity IGAE YoY	25-Mar	Jan	1.90%	2.40%	2	3.15%
Overnight Rate	26-Mar	Mar-30	3%	3%	0	3.00%
Unemployment Rate SA	27-Mar	Feb	4.46%	4.46%	0	4.43%
Unemployment Rate NSA	27-Mar	Feb	4.46%	4.55%	0	4.51%
Trade Balance	27-Mar	Feb	442.5M		0	-3247.5M

Fuente: BBVA Research

Most recent Latam reports

Date	Description
03.26.2015	Mexico: In January the IGAE shows a weak monthly performance (0.2% MoM, sa)
03.26.2015	Mexico: Banking deposits: outstanding performance in January
03.26.2015	Mexico: Monetary rate unchanged at 3.0%. The relative monetary stance is the key variable
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

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