

LatAm Daily | In Brazil, industry continued to show signs of weakness in February

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In Colombia, inflation will have reached the highest level of the year and will remain temporarily outside the central bank's target range, but we estimate that it will not change its monetary stance before the end of the first half. Peru's inflation accelerated in March and this limits the space for a possible cut in the benchmark rate.

Brazil – Industrial production declined in February

Industrial output dropped 0.9% MoM in the second month of the year, somewhat less than expected. The January figure was revised downward to 0.3% MoM from 2.0% MoM, reinforcing the signs of weakness of economic activity and the prospects of GDP contraction at the beginning of the year. The decline in output was observed in the three industrial categories (consumption, intermediary and capital goods) and in 11 out of the 24 sub-sectors (including the vehicles sector, with a 1.7% MoM decline). The 9.1% YoY contraction with respect to the same period last year adds to the evidence of weakness in the industrial segment. Looking ahead, we expect industrial production, in particular, and economic activity, in general, to continue to deteriorate with the tightening of fiscal and monetary policies and the propagation of the multiple negative shocks hitting the country (Petrobras crisis, drop in terms of trade, water and electricity scarcity...)

Colombia – BanRep's minutes

The Central Bank of Colombia published the minutes for its March meeting. According to the minutes, the central bank's Board expect inflation to be temporarily out of its target. Nevertheless, BanRep's board highlighted that all measures of inflation expectations continued to be anchored. According to some members of the board, the terms of trade shock has a permanent component that could affect national income and, therefore, "it is not adequate to try to substitute this loss of income through a more expansive monetary policy". In addition, one member of the board said that in spite of the slowdown in economic activity, the benchmark rate should be kept on hold for the rest of the year. Finally, BanRep's minutes pointed out that the board is open to counter-cyclical monetary policy in case private consumption and spending display an over-reaction to the new potential GDP.

Colombia – Colombian inflation at highest in almost six years as food costs spike

March inflation stood at 0.59% YoY, slightly exceeding our expectations (Bloomberg: 0.61% BBVA 0.51%). Thus, prices in the last 12 months recorded an increase of 4.56%. For the third consecutive month, food is the group with the highest monthly growth, contributing 34 basis points (bps) to the monthly variation of 0.56%. Non-food inflation (core) shows signs of moderation in growth (January: 3.20% YoY, February: 3.42% and March: 3.46%). Inflation expectations, although rising, remain within the target range and the response to recent outturns of inflation has been inelastic. In BBVA we estimate that March's inflation will be the highest of 2015 and that the pass-through of the exchange rate to prices will moderate in the coming months. We also expect that the food shock on prices will lose momentum and will even help to move inflation gradually back to the target range in the 2H15. However, inflation will remain above 4% in the coming months and will only return to the target range at the end of the third quarter. Given the inflation outlook, and given that economic activity data do not show a marked slowdown, BanRep will not lower its benchmark rate before end of the first half.

Peru - Inflation accelerated in March and limits the space for possible rate reduction

The consumer price index rose 0.76% in March reflecting the rises in educational services (in March each year, pensions are corrected upwards), food (effects of adverse weather conditions), and gasoline. With this, YoY inflation increased to 3.0%. For the time being, they are likely to remain stuck near the ceiling of the target range. The space the BCR has to eventually cut the policy rate has been pressed.

What to watch today

Chile – Monthly economic activity index (February, 06:30hrs NYT)

Consensus expects IMACEC to score -0.1% MoM in February, (0.4% MoM in January), giving more clues on the pace of economic activity during the first quarter of 2015.

Chile – Central Bank meeting minutes (March, 06:30hrs NYT)

We expect the minutes to reveal the board's arguments supporting the pause in policy rates (at 3.00%) and the neutral tone.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Vehicle Production Anfavea	7-Apr	Mar	-		-	200111
FGV Inflation IGP-DI MoM	8-Apr	Mar	1		-	0.53%
FGV CPI IPC-S	8-Apr	Apr 7	1.38		-	-
IBGE Inflation IPCA MoM	8-Apr	Mar	1.4	1.25	-	1.22%
IGP-M Inflation 1st Preview	10-Apr	Apr	0.78		-	0.74%
Chile						
Central Bank Meeting Minutes	6-Apr	Jan-04	-		-	-
Economic Activity YoY	6-Apr	Feb	1.8		-	-
Economic Activity MoM	6-Apr	Feb	-0.1		-	0.40%
Trade Balance	7-Apr	Mar	739		-	\$748.00
CPI MoM	8-Apr	Mar	0.8		-	0.40%
CPI Core MoM	8-Apr	Mar	0.6		-	0.60%
CPI YoY	8-Apr	Mar	4.4		-	4.40%
Central Bank's Economist Survey	10-Apr	Jan-04	-		-	-
Colombia						
Economic Activity Index SA YoY	7-Apr	Jan	-		-	-
Mexico						
Vehicle Production AMIA	6-Apr	Mar	-		-	282856
Consumer Confidence Index	8-Apr	Mar	92.2		-	90.3
CPI MoM	9-Apr	Mar	0.32		-	0.19%
CPI Core MoM	9-Apr	Mar	0.25		-	0.34%
CPI YoY	9-Apr	Mar	3.04		-	3.00%
Bi-Weekly CPI	9-Apr	Mar	0.18		-	0.18%
Bi-Weekly Core CPI	9-Apr	Mar	0.13		-	0.15%
Bi-Weekly CPI YoY	9-Apr	Mar	3.08		-	2.97%
Central Bank Monetary Policy Minutes	9-Apr	Jan-04	-		-	0.00%
Manufacturing Production YoY	10-Apr	Feb	3.5		-	1.20%
Industrial Production YoY	10-Apr	Feb	1.65		-	0.30%
Industrial Production MoM	10-Apr	Feb	0.35		-	-0.40%
Peru						
Trade Balance	10-Apr	Feb	-		-	-\$454M
Reference Rate	10-Apr	Apr	3.25		-	3.25%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
04.06.2015	Colombia: Inflation in March reaches maximum in 6 years driven by food costs (In Spanish)
04.01.2015	Peru: Inflation goes up in March, reducing the room for an eventual policy rate cut
30.03.2015	Mexico: IGAE and exports point to moderate economic performance in the first quarter
30.03.2015	Chile: Activity by sector anticipates an Imacec at around 2% YoY in February
03.27.2015	Mexico: Monetary rate unchanged at 3.0%. FED on the spotlight (In Spanish)
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)

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