

LatAm Daily | Economic Activity in Mexico contracted in February

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

Inflation in Mexico remained subdued at the beginning of April, leading us to revise downwards our forecast, to 2.8% at year-end. Inflation data are in line with the view that annual inflation will remain close to Banxico's target throughout the year, and seems to confirm that core inflation will remain subdued despite peso depreciation, in the context of weak domestic demand.

Mexico – Global Economic Activity Indicator for February decreased 0.03% MoM, sa

The Global Economic Activity Indicator (IGAE) for February fell 0.03% MoM, seasonally adjusted (sa). This was due to a moderate increase in industry (0.21% MoM, sa); zero growth in services (0.04 % MoM, sa), and a sharp drop in agriculture (-5.06% MoM, sa). That was equivalent to YoY growth of 2.2%, sa. In the original series the IGAE increased 2.3% YoY, in line with our forecast and below consensus (BBVAe: 2.3%, consensus: 2.4%). This reinforces our forecast for moderate economic growth in the first quarter (see IGAE Flash).

Mexico - Inflation remained subdued in the first fortnight of April

Headline inflation came in significantly below expectations in the first fortnight of April, decreasing 0.45% FoF (BBVAe: -0.22%, consensus: -0.21%). In annual terms, headline inflation decreased to 3.03% from 3.30% in the previous fortnight. As we expected, the inflation print was primarily driven by the seasonal adjustment of electricity tariffs and a reduction in tourism services. The surprise to our forecast came from a larger reduction in tourism services and declines of perishable food prices driven by a fall in vegetable prices. The subdued core inflation increase was mainly led by the fall in other services prices, which more than offset a somewhat higher than anticipated increase in core goods inflation. Today's print supports our view that annual inflation is likely to remain close to Banxico's target (3.0%) throughout 2015, and seems to confirm that core inflation will remain subdued despite the peso depreciation, in a context of weak domestic demand. We revise downwards our year-end inflation forecasts to 2.8% for headline inflation and 2.6% for core inflation, from 2.9% and 2.8% respectively (see Inflation Flash)

What to watch today

Colombia – Central Bank meeting (April, no set time)

BanRep's Board will hold its monthly monetary policy meeting. At this meeting, we expect the central bank to keep its reference rate on hold in line with consensus. Although we do not expect major announcements, we believe it will be important to make a detailed assessment of BanRep's communiqué and its expected inflation and GDP growth path.

Mexico – Retail sales (February, 9:00hrs NYT)

We estimate that February retail sales, published by INEGI, will print YoY growth of 4.5%, seasonally adjusted (sa). The result will be linked to the performance of ANTAD sales, which in February increased over all stores by an annualised 5.7%, sa, and with the increase in formal employment seen in February (133,691 jobs recorded in the Mexican Social Security Institute). Note that in January retail sales increased 4.9% YoY, sa.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Central Bank Weekly Economists Survey	20-Apr		-			
Current Account Balance	22-Apr	Mar	-\$5000M		-\$5736,21M	-\$7082M
Foreign Direct Investment	22-Apr	Mar	\$3600M		\$4262,8M	\$3107M
FGV CPI IPC-S	23-Apr	Apr 22	0.76%		0.71%	0.93%
Fomal Job Creation Total	24-Apr	Mar	-20400		-	-2415
Tax Collections	24-Apr	Mar	96138,5M		-	89982M
Chile						
Central Bank's Traders Survey	22-Apr		-			
PPI MoM	24-Apr	Mar	-		-	-0.011
Colombia						
Retail Confidence	21-Apr	Mar	-	14	21.4	21.4
Industrial Confidence	21-Apr	Mar	-	2	4.1	7.3
Trade Balance	22-Apr	Feb	-\$1189,5	-955	-\$1245,6M	-\$1797.6
Imports CIF Total	22-Apr	Feb	\$4,800	4,286	\$4587,08	\$4885.0
Overnight Lending Rate	24-Apr	Apr 24	4.5%	4.50%	-	4.5%
Mexico						
Banamex Survey of Economists	21-Apr		-			
Economic Activity IGAE YoY	23-Apr	Feb	2.40%	2.34%	-	2.0%
Retail Sales YoY	24-Apr	Feb	4.50%	4.46%	-	4.7%
Retail Sales MoM	24-Apr	Feb	0.10%	-0.10%	-	2.1%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
04.23.2015	Mexico: Inflation remains subdued
04.23.2015	Mexico :In February the IGAE shows a negative monthly performance (-0.03% MoM, sa)
04.16.2015	Chile: Central bank kept policy rate at 3%, as widely expected
04.13.2015	Mexico: Industrial production pushes down our growth expectations
04.10.2015	Peru: New monetary pause and the window of opportunity for rate cut is reduced (In Spanish)
04.08.2015	Brazil: Inflation jumps above 8%; pressure from administered prices to ease ahead
04.08.2015	Chile: March's CPI increased 0.6% MoM, below market expectations
04.06.2015	Chile: Imacec expanded 2.0% YoY in February, slightly above expectations
04.06.2015	Colombia: Inflation in March reaches maximum in 6 years driven by food costs (In Spanish)
30.03.2015	Mexico: IGAE and exports point to moderate economic performance in the first quarter

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.