

LatAm Daily | Mexico's inflation in January in line with expectations, at 2.6%

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We expect inflation to remain below 3.0% throughout the year, with a limited pass-through given the economic slack; although unexpected depreciation implies risks to the upside for our 2.9% year-end forecast. Today we will see the economic and traders' survey in Chile, where long term inflation expectations should remain anchored and a pause in MPR is expected at this week's meeting.

Mexico - Strong headline inflation print with a soft core component as we anticipated

Headline inflation increased 0.38% MoM in January (BBVA Research: 0.34%, consensus: 0.28%), broadly in line with our above-consensus forecast. This relatively strong print was explained by a large increase in fruit and vegetable prices in the second half of the month which drove the monthly increase of that component to 6.98% for the month. In contrast, core inflation was relatively soft as we expected, coming in at 0.19% MoM (BBVA Research: 0.20%). In annual terms, headline inflation increased to 2.6% as we expected, from 2.1% at the end of last year. We expect inflation to remain below 3.0% throughout the year. FX pass-through should remain limited to core durable goods in a context of economic slack. However, the unexpected additional depreciation of the MXN (9.0% year-to-date) adds risks to the upside for our 2.9% year-end forecast. However, pressures on fruit and vegetable prices have been quite strong over the last six months and should recede going forward, supporting our below-consensus forecast for 2016 inflation.

What to watch today

Chile - Economic expectations and financial traders' survey (February, 07:30hrs NYT)

We expect the surveys to show inflation expectations of around +0.2% MoM for February and anchored long-term inflation expectations. Short-term inflation and activity data will support expectations of a pause in the monetary policy normalization process at tomorrow's meeting. Downward revision to GDP growth for 2016-17 should temporarily ease, due to a positive surprise in the December 2015 Imacec figure. Nonetheless, economic activity will remain weak while risks are tilted to the downside.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	11-Feb	Feb	1.70%			1.78%
FIPE CPI - Weekly	12-Feb	Feb	--			1.21%
Chile						
Vehicle Sales Total	8-Feb	Jan	--		25484.0	29835
CPI MoM	8-Feb	Jan	0.30%	0.30%	0.50%	0.00%
CPI YoY	8-Feb	Jan	4.60%	4.70%	4.80%	4.40%
Trade Balance	8-Feb	Jan	\$690.0		\$685.21	-\$149.8
Central Bank's Economist Survey	10-Feb		0.00%			0.00%
Central Bank's Traders Survey	10-Feb		0.00%			0.00%
Overnight Rate Target	11-Feb	Feb	3.50%	3.50%		3.50%
Colombia						
Colombia Monetary Policy Minutes	12-Feb		0.00%			0.00%
Vehicle Sales	12-Feb	Dec	--			--
Mexico						
ANTAD Same-Store Sales YoY	8-Feb	Jan	--		8.10%	8.10%
Vehicle Production AMIA	8-Feb	Jan	--		267498.0	222941
CPI MoM	9-Feb	Jan	0.26%	0.34%	0.38%	0.41%
CPI Core MoM	9-Feb	Jan	0.20%	0.20%	0.19%	0.31%
CPI YoY	9-Feb	Jan	2.49%	257.00%	2.16%	2.13%
Bi-Weekly CPI	9-Feb	Jan	0.12%	0.27%	0.35%	0.03%
Bi-Weekly Core CPI	9-Feb	Jan	0.12%	16.00%	0.14%	0.08%
Bi-Weekly CPI YoY	9-Feb	Jan	2.52%	266.00%	2.75%	2.48%
Nominal Wages	10-Feb	Jan	--			4.50%
Industrial Production NSA YoY	11-Feb	Dec	-0.20%			0.10%
Industrial Production SA MoM	11-Feb	Dec	--	0.20%		-0.50%
Manuf. Production NSA YoY	11-Feb	Dec	1.40%			1.80%
Formal Job Creation Total	12-Feb	Jan	--	18.3 k		-303.7k
Peru						
Trade Balance	10-Feb	Dec	--		0.0	-\$314m
Reference Rate	12-Feb	Feb	--	4.25%		4.00%

Fuente: BBVA Research

Most recent Latam reports

Date	Description
02.09.2016	<u>Colombia: Trends and Long-term Outlook for Energy Supply and Demand</u>
02.08.2016	<u>Chile: January's CPI grows 0.5% mom influenced by public fees and cigarettes</u>
02.05.2016	<u>Colombia: El Niño drives up inflation</u>
02.05.2016	<u>Chile: GDP grows 2% in 2015 with an Imacec above expectations (In Spanish)</u>
02.05.2016	<u>Brazil: Inflation surprises strongly to the upside</u>
02.04.2016	<u>Mexico: No change in fondeo rate. The tone turned restrictive (In Spanish)</u>
02.03.2016	<u>Mexico: Fondeo rate unchanged at 3.25% (In Spanish)</u>
02.02.2016	<u>Peru: Inflation keeps rising, as expected</u>
02.01.2016	<u>Chile: We forecast CPI in January 2016 at 0.3% MoM (In Spanish)</u>
02.01.2016	<u>Chile: Although the fiscal deficit closed at 2.2% of GDP in 2015, the room for fiscal manoeuvre will narrow</u>
01.29.2016	<u>Mexico: The peso appreciated nearly 2.0% over the week due to rising oil prices</u>
01.29.2016	<u>Colombia: BanRep increased its monetary policy rate to 6% in line with expectations</u>

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