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# Latam Daily: Brazilian Inflation; Colombia Survey Recap

- Colombia: Citi Survey—February expectations point to weaker economic growth, higher inflation, and a 50bps rate cut in March

A slightly hotter than expected Japanese inflation print and a couple of encouraging UK retail price indices (unofficial) were the overnight highlights, with limited broad market implications. US equity futures are little changed, as are cash EU and UK indices. The USD is mixed in narrow ranges, with the MXN and JPY as standout winners, up 0.3% thanks to lower US yields (and higher Japanese yields for the yen). In commodities, oil is flat but weakening from best levels, in contrast to 2% stronger iron ore that is just trimming losses and a small rise in copper. Global curves are in decent shape, with 2/3bps declines across the curve in EGBs and gilts, and about 1bps down in USTs.

In the G10, we have another day of watching central banker headlines and second-tier US data, while in Latam we have the release of Brazilian IPCA-15 and Mexican international trade data as the main events. We're also watching the reaction in Peruvian markets to an announcement yesterday by Fin/EconMin Arista that the government will provide financial guarantees for Petroperú via the state's Banco de la Nación; the company will be under austerity measures with a restructuring of the board (whose new members haven't been revealed). Mexico's Pemex also publishes its fourth quarter results today.

Brazil's IPCA-15 figures for February due at 7ET are expected to show no progress in annual inflation, holding around January's 4.5% y/y reading, as food and fuel prices apply upward pressure on the overall basket. Outside of non-core risks, services inflation has to cool its advance or markets may be a bit more hesitant about their call for another 50bps cut at the May meeting (currently pricing in 42bps)—still following a 50bps next month. BCB officials have taken on a somewhat more cautious tone of late as they near the point when they may debate a 25bps reduction. The March 20 meeting may see the BCB change its guidance about the current 50bps pace of easing continuing, leaving it more on a data-dependent basis (especially regarding services inflation).

—Juan Manuel Herrera

## COLOMBIA: CITI SURVEY—FEBRUARY EXPECTATIONS POINT TO WEAKER ECONOMIC GROWTH, HIGHER INFLATION, AND A 50BPS RATE CUT IN MARCH

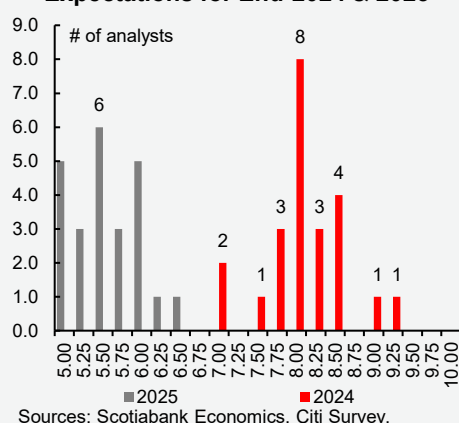
On Monday, February 26<sup>th</sup>, the February Citi survey was released. BanRep uses this survey as one of its indicators for inflation expectations, the monetary policy rate, GDP, and COP.

### Key points included:

- GDP growth was revised to the downside after a disappointing result in 2023. Economist consensus estimates the economic growth in 2024 will be 1.27%, 18bps lower than previous expectations, while for 2025, the GDP growth projection is at 2.53%, going down by 10bps.
- Inflation showed mixed changes. On average, headline inflation is expected to be 1% m/m in February, bringing annual inflation to 7.64% y/y (from the current 8.35%). Scotiabank Colpatria's projection is at 0.96%, very close to the average. In February, we expect the main source of inflation deceleration to be food prices due to the high statistical base. However, we also expect a lower indexation effect in key services such as education. For December 2024, headline inflation is expected at 5.34%, up by 10bps versus the previous survey, while for December 2025, the expectation is at 3.67%, almost stable and within BanRep's target range.

Chart 1

### Colombia: Repo Rate Expectations for End-2024 & 2025



February 27, 2024

- Monetary policy: 19 out of 24 analysts expect BanRep to cut the monetary policy rate by 50bps to 12.25%, and 4 expect a 75bps cut (including Scotiabank Colpatria). Recent economic data supports the central bank's consideration of accelerating the easing cycle. However, we think the forthcoming inflation reading could be a game changer when deciding to cut between 50 or 75bps. Looking out to December 2024, respondents expect rates to close at 8%, while for 2025, the expectation is around 5.50%. At Scotiabank Economics, we expect BanRep to speed up the easing cycle in the H1-2024 amid the expectation of an important correction in inflation; that said, by the end of 2024, we project a monetary policy rate closing at 7% (chart 1).
- Finally, respondents expect the exchange rate to average 4,060 pesos at the end of 2024 (versus 4,054 pesos in December), while for 2025, it is expected to be 4,044 pesos. Scotiabank Economics' projections show an exchange rate of 4,116 pesos in December 2024 and 4,150 pesos in 2025.

**—Sergio Olarte & Jackeline Piraján**

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