

Contributors

Juan Manuel Herrera

Senior Economist/Strategist
Scotiabank GBM
+44.207.826.5654
juanmanuel.herrera@scotiabank.com

Guillermo Arbe, Head Economist, Peru
+51.1.211.6052 (Peru)
guillermo.arbe@scotiabank.com.pe

Sergio Olarte, Head Economist, Colombia
+57.601.745.6300 Ext. 9166 (Colombia)
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive, Head Economist, Chile
+56.2.2619.5435 (Chile)
jorge.selaive@scotiabank.cl

Eduardo Suárez, VP, Latin America Economics
+52.55.9179.5174 (Mexico)
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Jackeline Piraján, Senior Economist
+57.601.745.6300 Ext. 9400 (Colombia)
jackeline.pirajan@scotiabankcolpatria.com

Brian Pérez, Quant Analyst
+52.55.5123.1221 (Mexico)
bperezgu@scotiabank.com.mx

Miguel Saldaña, Economist
+52.55.5123.1718 (Mexico)
msaldanab@scotiabank.com.mx

Latam Daily: BanRep Survey and Mexico IGAE Recap

- **Colombia: Citi Survey: Inflation expectations are broadly stable, but there's disagreement around the easing cycle's end point**
- **Mexico: Economic activity rebounded in February as services gain momentum**

COLOMBIA: CITI SURVEY: INFLATION EXPECTATIONS ARE BROADLY STABLE, BUT THERE'S DISAGREEMENT AROUND THE EASING CYCLE'S END POINT

April's Citi survey was released on Monday, April 22nd. BanRep uses this survey as one of its indicators for inflation expectations, the monetary policy rate, GDP, and COP.

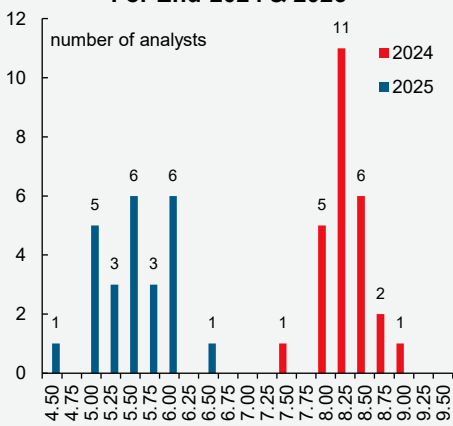
Highlights:

- GDP growth expectations are almost unchanged. For 2024, GDP growth is expected at 1.27%, while for 2025, it is at 2.52%, 1bps above the previous survey. For 2026, the expectation is at 2.89%. Previous forecasts point out that Colombia will continue growing below potential for a while and that the economy's recovery will be slow.
- Inflation expectations with mild changes. Inflation for the end of 2024 is expected at 5.54%, 13bps higher than in the previous survey, while for 2025, the expectation increased by 4bps to 3.74%. Stability on inflation expectations is a positive surprise since, in March, the CPI report surprised to the upside. For April, the survey points to a 0.58% m/m inflation; at Scotiabank Colpatria, the expectation is 0.59% m/m. It is worth noting that the high statistical base effect is vanishing, and given that, inflation could have more moderate progress in forthcoming months. For April, a 0.58% m/m inflation will take the annual headline reading down from 7.36% to 7.16%.
- Monetary policy: Consensus points to a 50bps rate cut in April to 11.75%. Two out of the twenty-four respondents expect a 75bps cut. BanRep is expected to maintain its cautious approach although economic activity is decelerating, and inflation is decreasing as expected. The terminal rate is the point under debate. For December 2024, the expectation is at 8.25% with a range between 7.50%–9.0%, while for Dec-2025, it is at 5.50% with a range between 4.25% and 6.50%. At Scotiabank Colpatria, we expect the monetary policy rate to close at 8.25% in Dec-2024 and 5.50% in Dec-2025 (chart 1).
- Finally, economist consensus expects the exchange rate to average 4003, below the previous survey level of 4035 pesos, while for 2025, it is expected to be 4,002 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

Chart 1

Colombia: Repo Rate Expectations For End-2024 & 2025



Sources: Scotiabank Economics, Citi Survey.

MEXICO: ECONOMIC ACTIVITY REBOUNDED IN FEBRUARY AS SERVICES GAIN MOMENTUM

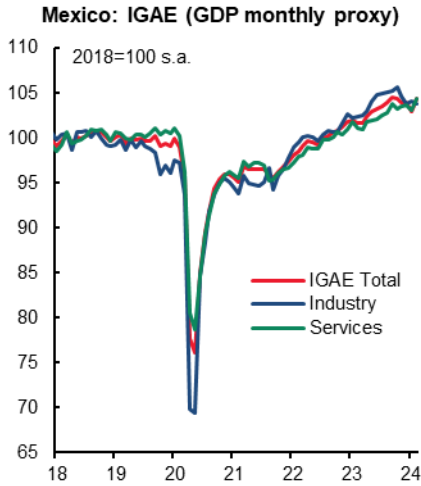
In February, according to the monthly GDP index (IGAE, chart 2), economic activity rebounded on a monthly sequential basis after four consecutive setbacks, from -0.9% to 1.4% m/m. The advance came from a rebound in services, which rose from -0.5% to 1.2% m/m, while industry fell -0.1% from a previous weak advance (0.2%); likewise, primary activities rebounded—with notable volatility—to 16.5% from -13.0%.

In its annual comparison, economic activity rose 4.4% from 1.9% y/y previously. By sectors, services continue to lead, rising from 2.2% to 4.8%. The boost from public spending is beginning to be felt, with election-related services already showing a greater advance, such as wholesale services (12.8%), retail services (3.6%), transportation and storage (8.25%), and media information (5.9%), charts 3 and 4).

Industry increased 3.3% y/y (2.7% previously). Construction repeated a double-digit increase (10.4%), although they maintain a slowing trend after the most vigorous increases observed in the previous year, up to 30% in August 2023. We believe that a strong dynamism will persist in the following months, as the government rushes to complete the infrastructure projects of the current administration. On the manufacturing side, manufacturing rebounded 2.3% y/y from 0.1% previously. We believe that the advance continues to be concentrated in the exports-oriented sectors of transportation equipment and computer equipment.

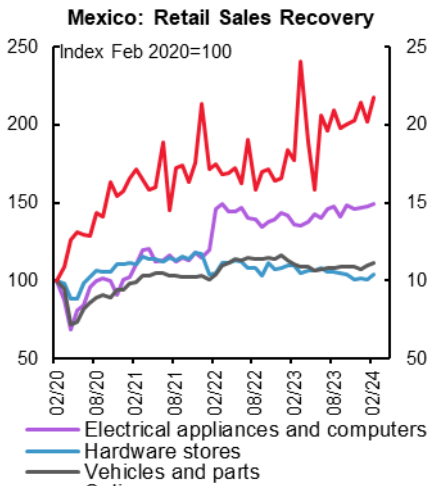
Looking ahead, we consider that in the short term, services will continue to lead economic activity, benefiting from the boost in public spending; in addition, the outlook for industry is favourable thanks to higher growth expectations in the United States, which could boost manufacturing exports, as well as new construction projects that take advantage of the relocation of supply chains.

Chart 2



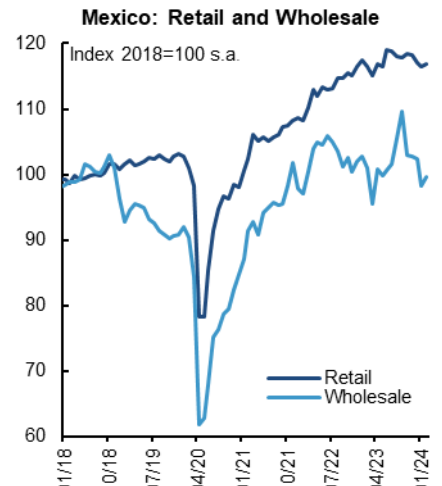
Sources: Scotiabank Economics, INEGI.

Chart 3



Sources: Scotiabank Economics, INEGI.

Chart 4



Sources: Scotiabank Economics, INEGI.

—Brian Pérez & Miguel Saldaña

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