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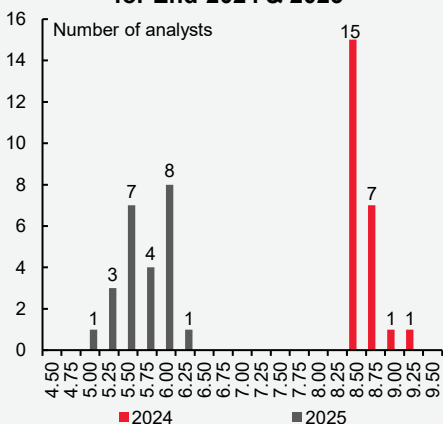
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Chart 1

Colombia: Repo Rate Expectations for End-2024 & 2025



Sources: Scotiabank Economics, Citi Survey.

Latam Daily: Colombia Survey and Mexico Inflation Recap

- **Colombia: Citi Survey—Economists affirm expectations for a monetary policy rate of 8.50% in Dec 2024**
- **Mexico: Inflation suffered a significant acceleration, mainly due to its most volatile components**

COLOMBIA: CITI SURVEY—ECONOMISTS AFFIRM EXPECTATIONS FOR A MONETARY POLICY RATE OF 8.50% IN DEC 2024

July’s Citi survey was released on Wednesday, July 24th. BanRep uses this survey as one of its indicators for inflation expectations, the monetary policy rate, GDP, and COP.

Highlights:

- **Economic growth forecast increased.** For 2024, GDP growth is expected at 1.53%, while for 2025, it is at 2.59%, 15bps and 9bps above the previous survey, respectively. For 2026, the expectation is at 2.90% (-1bp). GDP growth expectations improved as Q2-2024 indicators have been better than expected. However, Colombia is still expected to grow well below potential in the forthcoming couple of years. Scotiabank Colpatría projections are 1.5% and 2.9% for 2024 and 2025, respectively.
- **Expectations point to headline inflation closing within the central bank target in 2025.** Inflation for the end of 2024 is expected at 5.70%, 3bps higher than in the previous survey, while for Dec-2025, the expectation increased by 1bp to 3.79%. Inflation expectations have been broadly stable in recent surveys, which shows an expectation of a consistent disinflationary process and credibility in the inflation target. For July, headline inflation is expected at 0.28% m/m, which could take the annual figure from 7.18% to 6.98%, resuming inflation’s downward trend. At Scotiabank Colpatría, expectations are 0.26% m/m and 6.92% y/y, while for Dec-2024, we expect inflation to close at 5.65% and 3.42% for Dec-2025.
- **Monetary policy:** Consensus points to a 50bps rate cut at the July 31st meeting to 10.75%. Only one analyst (ANIF) expects a 25bps cut. BanRep is expected to maintain its cautious approach as recent economic indicators have been better than expected, and inflation has reversed a bit. However, market consensus is pointing to an acceleration in the easing cycle in September. For December 2024, the expectation is at 8.50% (fifteen out of twenty-four analysts), while the second main response was 8.75% (seven out of twenty-four respondents). For Dec-2025, the monetary policy expectation is at 5.75%, ranging between 5.0% and 6.25%. At Scotiabank Colpatría, we expect the monetary policy rate to close at 8.50% in Dec-2024 and 5.50% in Dec-2025 (chart 1).
- Finally, economist consensus expects the exchange rate to average 4,038 in Dec-2024, while for 2025, it is expected to be 4,034 pesos. **Scotiabank Economics’ projections for the exchange rate are 4,116 pesos in December 2024 and 4,150 pesos in 2025.**

—Sergio Olarte & Jackeline Piraján

MEXICO: INFLATION SUFFERED A SIGNIFICANT ACCELERATION, MAINLY DUE TO ITS MOST VOLATILE COMPONENTS

In the first half of July, headline inflation rose to 5.61% y/y from 5.17% (vs. 5.33% consensus), reaching the highest level since May of the previous year (chart 2). Core inflation moderated to 4.02% y/y from 4.08% (vs. 4.03% consensus), as merchandise

prices declined to 4.02% y/y (4.08% previously), offsetting a faster pace in services at 5.17% y/y (5.12% previously), see chart 3. On the other hand, non-core inflation was the component that increased the most at 10.64% y/y (8.61% previously), highlighting agriculture and livestock items, which rose 14.33% y/y (11.73% previously), affected by the impulse of fruits and vegetables (25.7%), see chart 4. In its sequential biweekly comparative, headline inflation rose 0.71% (0.53% previously, 0.45% consensus), well above analysts' expectations, and representing its highest level since November 2017. The core component 0.18% (0.13% previously, 0.19% consensus) and non-core 2.32% (1.79% previously), are also at the highest level since November 2017.

In detail, tomato prices showed a biweekly increase of +27.97%, onions +16.72% and chayote +13.41%. As for the products trending downwards, the most important ones were grapes -10.99%, serrano chili -8.98% and green tomatoes -5.29%. We believe that this volatility in the non-core component will remain for the next two to three months, as droughts and now floods will have adverse effects on crops.

These data complicate the upcoming decision by Banxico, as inflation in agriculture continues to rise (specifically fruits and vegetables). However, the minutes noted that members of the Governing Board consider these effects to be short-term and expect them to converge over the forecast horizon, as core items have eased. However, we believe that such a higher-than-expected print will lead to increases in inflation forecasts for the following months and year-end, despite the downward trend observed in the core component. Moreover, in a highly uncertain political environment, owing to the incoming reforms and the U.S. elections, a cautious tone may still be appropriate. Thus, we believe that the August 8th decision (when July monthly inflation will also be published) could be at risk, so more analysts may now consider a cut at the September meeting.

Chart 2

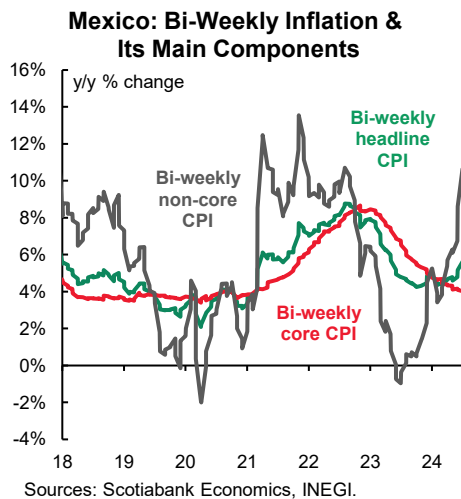


Chart 3

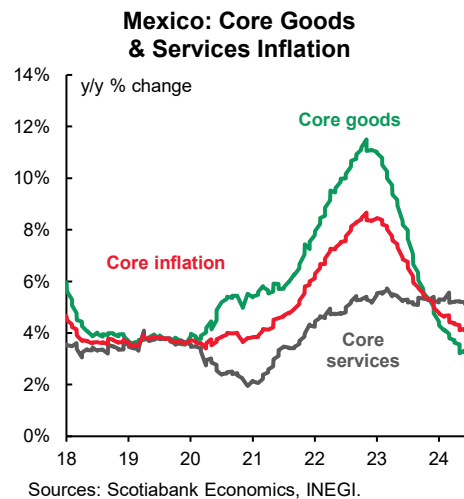
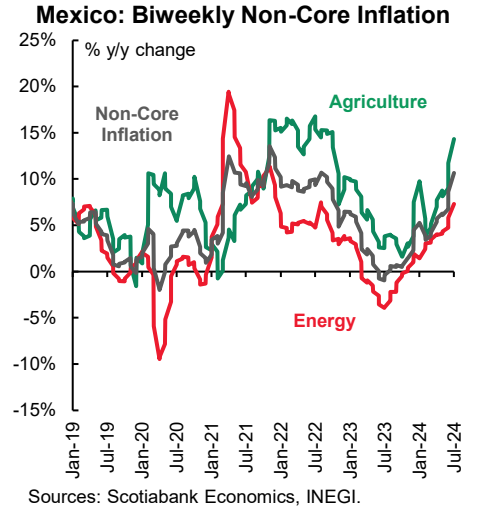


Chart 4



—Brian Pérez & Miguel Saldaña

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