

## LATAM Market Update

- **Colombia: February Inflation Lower than expectations due to foodstuff**
- **Peru: Mining investment up a healthy 48%, y/y, in January**

### COLOMBIA: FEBRUARY INFLATION LOWER THAN EXPECTATIONS DUE TO FOODSTUFF

Dane released February 2019 CPI Inflation with new basket (new base (2018=100) and some methodological changes). The figure came in at 0.57% m/m or 3.01% y/y, much lower than market expectations of 0.73% m/m (according to Bloomberg). The big downward surprise came from foodstuff that expanded only 0.23% m/m, while market had more than 0.65% m/m. Food CPI for January and February have proved that El Niño phenomenon is mild and did not affect domestic prices, which will help 2019 inflation to keep levels close to 3%.

Although DANE, again, did not publish much information and we cannot rally compare with last February, ex-food inflation came in at 0.63% m/m. Although, core inflation came in line with expectations, it proved that indexation effects this year are playing in favour of lower inflation (If we assume that we can compare the main items between previous and new methodology). In fact, many prices are index by December 2018 inflation (3.18% y/y), which was much lower than December 2017 inflation (4.09% y/y). For instance, education fees only increased in February 2019 by 4.5% m/m, while last February increased 5.9% m/m. Housing services also increased at a much lower rate in February 2019, housing inflation dropped by 10bps (0.28% m/m in Feb-2019 vs 0.38% m/m in Feb-2018). We think housing will continue helping down headline inflation due to high inertia of this item, especially rent fees.

In terms of monetary policy, February 2019 inflation data, in our opinion, will not change BanRep's base case scenario. Headline continue close to target and core inflation showed further convergence. Therefore, we think BanRep has no rush to start the hiking cycle, especially with negative output gap.

### PERU: MINING INVESTMENT UP A HEALTHY 48%, Y/Y, IN JANUARY

Mining investment was up 48%, y/y, in January. Although this figure seems high, it is, actually, not out of line with our expectations of 23% growth in 2019. Investment tends to be low, and growth figures very volatile, during the January-March rainy season in the Andes highlands. The amount invested during the month of January was US\$335mn, much lower than previous months (investment averaged US\$548mn per month during 4Q18), and the sharp increase in growth in January largely reflects very low investment (US\$226mn) in January 2018. What was noteworthy, was the new Quellaveco copper project, which led in investment, with nearly US\$50mn. Other major investments came from Marcobre, US\$42mn, Antapaccay, US\$31mn, Southern Copper US\$23mn, and Chinalco (Toromocho), US\$22mn. These five companies represented approximately half of total investment during the month. Mining investment reached US\$4.9bn in 2018. We expect mining investment to surpass US\$6bn in 2019.

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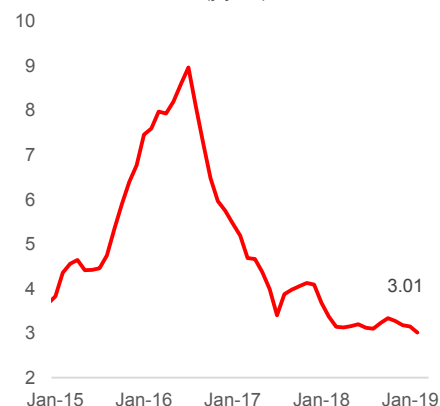
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**Colombia: Headline Inflation**  
(y/y. %)



Sources: DANE, Scotiabank.

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