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## Latam Daily: Mexican H1-May CPI; Colombia Economists See Pause

- **Colombia: Citi survey: Economist consensus points to stability in monetary policy rate in June**

Overnight markets extended yesterday's weakness on the lack of progress in US debt ceiling negotiations with SPX futures tracking a 0.4% decline, in contrast to modest moves in Treasury markets as the UK's CPI beat motivated a jump in global yields. The USD is broadly stronger, and getting stronger over the past hour, while crude oil sits on a near 2% gain on the day contrasting with further losses in iron ore (-4.5%) and copper (-1.5%)—with the former again reflecting worrying Chinese steelmaking demand dynamics.

The MXN is the only major currency holding up well against the USD, as it aims to end a six-day streak of losses (with some political risk weighing on sentiment) thanks to a 0.2% gain at writing. Mexico's INEGI publishes H1-May CPI data at 8ET, where the median economist polled by Bloomberg and us expect a deceleration of 0.1–0.2ppts in both core and headline inflation (consensus at 6.13% and 7.49%, respectively). The slowing of inflation supports Banxico's on-hold stance, but with this decline still being moderate (particularly in core) it also supports the bank's guidance that rates will remain elevated for a considerable time (as expected by economists that see rate cuts starting no sooner than December).

April Chilean PPI and Colombian Industrial/Retail confidence data are also due for release today though we don't anticipate markets to react to these prints, and the global market mood surrounding the debt ceiling discussions will remain in the driving seat. Chile's central bank president Costa speaks to a Senate committee today at 10.30ET with the publication of the BCCh's Financial Stability Report today.

—Juan Manuel Herrera

### COLOMBIA: CITI SURVEY: ECONOMIST CONSENSUS POINTS TO STABILITY IN MONETARY POLICY RATE IN JUNE

The results of the May Citi economists survey, which BanRep uses as one of its measures of inflation expectations, monetary policy rate, GDP and COP, was published on Tuesday May 23.

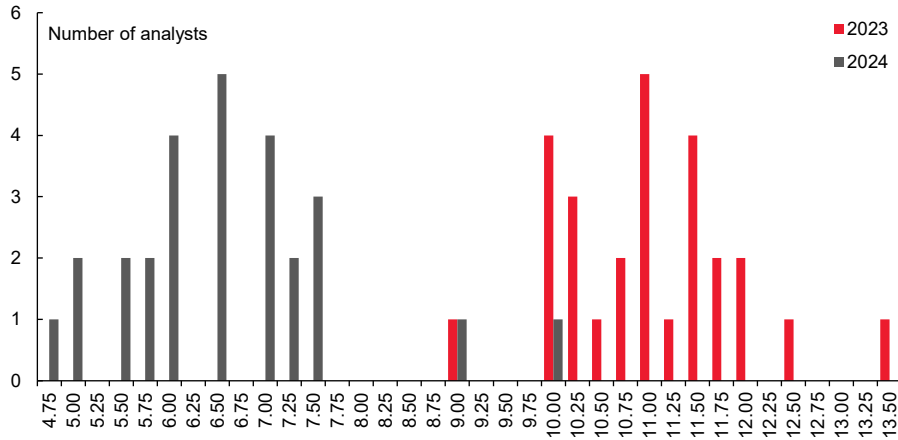
Key points:

- Economic activity projections improved for 2023 but weakened for 2024. For 2023, it is estimated at 1.13% (+8bps vs previous survey), while the rebound expected for 2024 was revised to the downside for the fifth month in a row and now is at 2.16% (previous 2.28%).
- Inflation will affirm its downward trend in May. Analysts expect May's monthly inflation rate at 0.63% m/m on average, which will make the headline inflation go down from 12.82% to 12.58%. By the end of 2023, inflation is expected at 9.08% (+3 bps vs previous survey), and by the end of 2024, it is expected at 4.96% (14 bps above the previous survey), which is still above the central bank target range between 2% and 4%.
- Scotiabank Economics is broadly aligned with consensus, with inflation expectations at 0.65% m/m and 12.60% y/y. In May, inflation is expected to remain high versus historical standards (0.28% m/m pre-pandemic average), amid still high indexation effects, especially in rent fees. On the other side, gasoline prices, food, and regulated prices will continue to add pressure to the upside.

- For the June monetary policy meeting, 20 out of the 22 analysts in the survey expect rate stability at 13.25%, and two analysts expect a 25bps hike to 13.50%. For December 2023, expectations range between 10.50% and 13.50%, and the median is 11.75%. For December 2024, the expected range is between 5% and 10%, and the median response is 7 % (chart 1).
- USDCOP forecasts for December 2023 is at 4621 pesos (vs. 4682 pesos in the previous survey), while for Dec 2024 is at 4499 pesos.

Chart 1

**Colombia: Repo Rate Expectations For End-2023 & 2024**



Sources: Scotiabank Economics, Citi Survey.

—Sergio Olarte, Santiago Moreno, & Jackeline Piraján

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