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Latam Daily: Colombia Releases September Citi Survey Results

- Colombia: Citi Colombia Survey—Analysts unanimously expect the monetary policy rate to remain stable for the third time in a row, while inflation expectations for 2023 and 2024 have increased

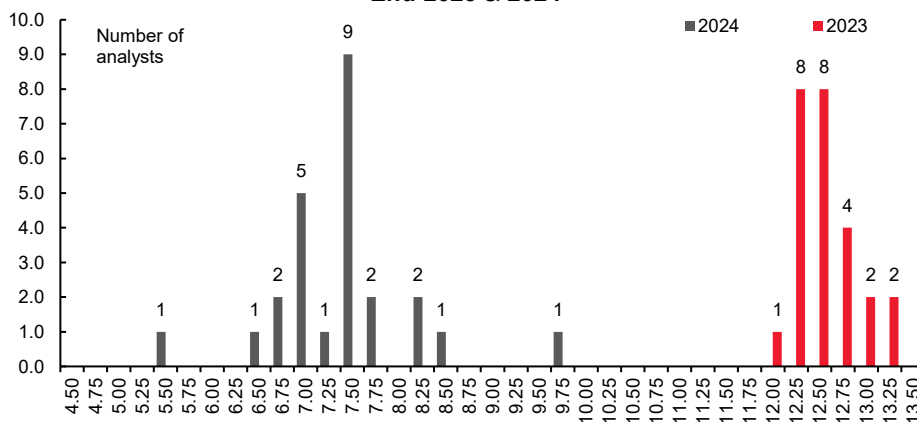
Citi's September survey, which BanRep uses as one of its indicators for inflation expectations, the monetary policy rate, GDP, and the COP, was published on Monday, September 25th.

Key points included:

- GDP expectations increased slightly for 2023 and decreased further for 2024. For 2023, average growth expectations increased after decreasing last month. The analyst consensus calls for GDP growth of 1.26% y/y in 2023, 1 b.p. above the previous month's survey. On the other hand, growth expectations for 2024 continued to decline for the ninth consecutive month and now stand at 1.8% y/y, down from 1.9% y/y in July.
- On the inflation front, analysts expect the downward trend to continue in September, but year-end inflation expectations have risen across the board, most notably for 2023. On average, headline inflation is expected to be 0.53% m/m in September, bringing the annual rate to 10.99% y/y. Expectations for the end of 2023 rose to 9.37% y/y (45 b.p. more than in the August survey), while expectations for 2024 increased to 4.89% y/y from 4.80% y/y in August. It is also worth noting that 4 of the 25 analysts in the September survey still expect inflation to be within the target range of 2% to 4% by the end of 2024.
- Scotiabank Economics' forecasts are slightly higher than the analyst consensus. We estimate monthly inflation of 0.60% m/m and annual inflation of 11.06% y/y in September. This is in response to August inflation data that surprised above expectations.
- On monetary policy, analysts unanimously expect interest rates to remain stable at the September meeting at the end of this week. The 25 analysts expect that BanRep's board of directors will keep the interest rate at the level of 13.25%. For the end of the year, there are still some differences in rate expectations for the end of 2023, but the range of differences continues to narrow due to a slight increase in the minimum range, which is now between 12.00% and 13.25% (compared to 11.25% and 13.25% in the August survey). Of the 25 analysts surveyed, only two expect BanRep to keep rates stable until the end of the year, while the remaining 23 expect the cycle of cuts to begin sometime this year, with expectations concentrated around the materialization of this year's cuts of around 75 bps. For 2024, the estimated range in September is between 5.5% and 9.75%, with an average of 7.42% and a median of 7.5% (chart 1).

Chart 1

Colombia: Repo Rate Expectations for End-2023 & 2024



Sources: Scotiabank Economics, Citi Survey.

September 26, 2023

- In Scotiabank Economics, the first-rate cut is expected in December, however, it strongly depends on further inflation correction. But, if inflation reduction continues proving to be fragile, we think the first cut could be delayed until Q1-2024.
- Finally, the exchange rate is projected to average USDCOP 4,114 by the end of 2023 (compared with USDCOP 4,146 in August) and USDCOP 4,136 by the end of 2024 (compared with USDCOP 4,135 in August).

—Sergio Olarte, Jackeline Piraján & Santiago Moreno

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