

Latam Daily: Consensus Now Expects Hike from Colombia's BanRep in 2021

- Colombia: Citi survey shows that inflation and growth expectations rose, and more than half of analysts surveyed expected the BanRep to increase its policy rate in 2021

COLOMBIA: CITI SURVEY SHOWS THAT INFLATION AND GROWTH EXPECTATIONS ROSE, AND MORE THAN HALF OF ANALYSTS SURVEYED EXPECTED THE BANREP TO INCREASE ITS POLICY RATE IN 2021

May's Citi Survey, which BanRep uses as one of its measures of expectations of inflation, the monetary policy rate, GDP, and the COP, came out on Tuesday, May 25.

Key points included:

- Growth forecasts improved.** In 2021, the GDP recovery was expected to hit a pace of 5.53% y/y, higher than the previous survey's 4.99% y/y consensus (see our April 28 [Latam Daily](#)). The positive revision came amid the upside surprise in GDP growth in Q1-2021. In 2022 and 2023, economic growth was expected to be 3.52% y/y (previous: 3.58% y/y) and 3.32% y/y (previous: 3.44% y/y), respectively;
- Inflation expectations for 2021 also increased, although they remained anchored for 2022.** May's inflation rates were, on average, expected to be 0.54% m/m and 2.82% y/y; we project 0.89% m/m and 3.18% y/y on the back of higher prices for foodstuffs and items impacted by scarcity induced by the recent protests and road blockages. For December 2021, the survey's average inflation projection is 3.31% y/y, well above the previous survey's expectation (2.81% y/y). It is worth noting that just 2 out of 25 analysts surveyed expected inflation to close below the 3% target. By December 2022, inflation was forecast to hit 3.15% y/y, slightly above the central bank's target;
- Market consensus points to rate stability in the short run: 100% of analysts surveyed expected the monetary policy rate to be held at 1.75% in the BanRep's June 28 meeting.** For 2021, analysts' projections were dispersed between stability and 75 bps in hikes from the central bank, although now only 11 out of 25 analysts surveyed expected rates to remain unchanged in 2021 (chart 1); the previous survey had 16 out of 25 expecting a BanRep hold through end-2021. For the first time, more than half of analysts expected at least one rate increase from the BanRep in 2021. For end-2022, the median policy rate expected was 3.25%, above the previous survey's 3%; and
- The USDCOP forecasts point to a slight appreciation in the peso from its current level of 3,740 through December 2021.** On average, respondents expected a level of USDCOP 3,584 by the end of 2021 (previous survey: 3,507) and USDCOP 3,527 by end-2022.

—Sergio Olarte & Jackeline Piraján

CONTACTS

Brett House, VP & Deputy Chief Economist
416.863.7463
Scotiabank Economics
brett.house@scotiabank.com

Guillermo Arbe
+51.1.211.6052 (Peru)
Scotiabank Peru
guillermo.arbe@scotiabank.com.pe

Sergio Olarte
+57.1.745.6300 Ext. 9166 (Colombia)
Scotiabank Colombia
sergio.olarte@scotiabankcolpatria.com

Jorge Selaive
+56.2.2619.5435 (Chile)
Scotiabank Chile
jorge.selaive@scotiabank.cl

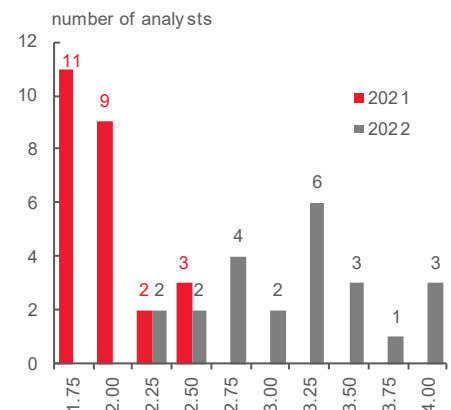
Eduardo Suárez
+52.55.9179.5174 (Mexico)
Scotiabank Mexico
esuarezm@scotiabank.com.mx

TODAY'S CONTRIBUTORS:

Jackeline Piraján
+57.1.745.6300 Ext. 9400 (Colombia)
Scotiabank Colombia
jackeline.pirajan@scotiabankcolpatria.com

Chart 1

Colombia: Repo Rate Expectations for End-2021 & End-2022



Sources: Scotiabank Economics, Citi Survey.

This report has been prepared by Scotiabank Economics as a resource for the clients of Scotiabank. Opinions, estimates and projections contained herein are our own as of the date hereof and are subject to change without notice. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made as to their accuracy or completeness. Neither Scotiabank nor any of its officers, directors, partners, employees or affiliates accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents.

These reports are provided to you for informational purposes only. This report is not, and is not constructed as, an offer to sell or solicitation of any offer to buy any financial instrument, nor shall this report be construed as an opinion as to whether you should enter into any swap or trading strategy involving a swap or any other transaction. The information contained in this report is not intended to be, and does not constitute, a recommendation of a swap or trading strategy involving a swap within the meaning of U.S. Commodity Futures Trading Commission Regulation 23.434 and Appendix A thereto. This material is not intended to be individually tailored to your needs or characteristics and should not be viewed as a “call to action” or suggestion that you enter into a swap or trading strategy involving a swap or any other transaction. Scotiabank may engage in transactions in a manner inconsistent with the views discussed this report and may have positions, or be in the process of acquiring or disposing of positions, referred to in this report.

Scotiabank, its affiliates and any of their respective officers, directors and employees may from time to time take positions in currencies, act as managers, co-managers or underwriters of a public offering or act as principals or agents, deal in, own or act as market makers or advisors, brokers or commercial and/or investment bankers in relation to securities or related derivatives. As a result of these actions, Scotiabank may receive remuneration. All Scotiabank products and services are subject to the terms of applicable agreements and local regulations. Officers, directors and employees of Scotiabank and its affiliates may serve as directors of corporations.

Any securities discussed in this report may not be suitable for all investors. Scotiabank recommends that investors independently evaluate any issuer and security discussed in this report, and consult with any advisors they deem necessary prior to making any investment.

This report and all information, opinions and conclusions contained in it are protected by copyright. This information may not be reproduced without the prior express written consent of Scotiabank.

TM Trademark of The Bank of Nova Scotia. Used under license, where applicable.

Scotiabank, together with “Global Banking and Markets”, is a marketing name for the global corporate and investment banking and capital markets businesses of The Bank of Nova Scotia and certain of its affiliates in the countries where they operate, including; Scotiabank Europe plc; Scotiabank (Ireland) Designated Activity Company; Scotiabank Inverlat S.A., Institución de Banca Múltiple, Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Casa de Bolsa, S.A. de C.V., Grupo Financiero Scotiabank Inverlat, Scotia Inverlat Derivados S.A. de C.V. – all members of the Scotiabank group and authorized users of the Scotiabank mark. The Bank of Nova Scotia is incorporated in Canada with limited liability and is authorised and regulated by the Office of the Superintendent of Financial Institutions Canada. The Bank of Nova Scotia is authorized by the UK Prudential Regulation Authority and is subject to regulation by the UK Financial Conduct Authority and limited regulation by the UK Prudential Regulation Authority. Details about the extent of The Bank of Nova Scotia’s regulation by the UK Prudential Regulation Authority are available from us on request. Scotiabank Europe plc is authorized by the UK Prudential Regulation Authority and regulated by the UK Financial Conduct Authority and the UK Prudential Regulation Authority.

Scotiabank Inverlat, S.A., Scotia Inverlat Casa de Bolsa, S.A. de C.V, Grupo Financiero Scotiabank Inverlat, and Scotia Inverlat Derivados, S.A. de C.V., are each authorized and regulated by the Mexican financial authorities.

Not all products and services are offered in all jurisdictions. Services described are available in jurisdictions where permitted by law.