

LatAm Daily | Higher than expected inflation in Brazil and Chile in October

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In Brazil adjustments in regulated prices and food prices will continue to put pressure on prices and inflation that will near 10% by year-end. In Chile the surprise was driven by foodstuffs, housing and services, due to second-round effects. Today we are waiting for the Mexican inflation print: we expect the sixth consecutive all-time low, in spite of significant currency depreciation over the past 12 months.

Brazil - Inflation nears the 10% mark

Upward surprises in fuel and food inflation, which reached 6.1% MoM and 0.77% MoM respectively, helped to drive headline inflation up to 0.82% MoM in October, rather than to 0.70% MoM as we expected (market consensus was at 0.79% MoM). In annual terms, inflation jumped to 9.93% YoY after three months relatively stable around 9.5% YoY. We expect the process of adjustment in regulated prices and food prices to continue to put pressure on inflation at the end of the year. Even though monthly inflation should drop to around 0.64% MoM in November and 0.60% MoM in December, in annual terms it is likely to reach 10.1% YoY in the next month and then ease somewhat to 9.9% YoY at the end of 2015 (our previous forecast for inflation at the end of the year was 9.7% YoY). We forecast average inflation at 6.9% YoY next year and that it will converge to 5.5% YoY in December 2016, even though the fiscal situation and the exchange rate pose some upward risks (for more details see our [Brazil Flash](#)).

Chile - CPI increased 0.4% MoM in October, above expectations

CPI increased 0.4% MoM in October (+4.0% YoY; 4.4% YtD), above both our and consensus expectations (+0.2% and +0.3% MoM, respectively). The print was driven by increases in foodstuffs - with surprises in meat, bread and wine - housing and services, due to second-round effects. The measure that excludes foods and energy increased +0.4% MoM (+4.8% YoY). Initially, for November's CPI we forecast a range between 0.0% and +0.1% MoM (see our [Chile Flash](#) in Spanish for details).

Mexico - Consumer confidence improved on the back of an increase in economic activity and real wages

Consumer confidence increased 1.6% MoM in October, and was in line with our expectation (BBVAe 1.8% MoM). This improvement comes after a positive surprise in economic activity in the services sector and a further drop in inflation.

What to watch today

Chile - Trade balance (October, 08:00hrs NYT)

We expect a small deficit of around USD200mn in October, driven by USD5.0bn in exports (-18% YoY) and USD5.2bn in imports (-9.5% YoY). Overall, figures should remain weak.

Mexico - Inflation (October, 09:00hrs NYT)

We expect headline inflation to have increased 0.50% MoM in October and core prices to have risen 0.25% MoM. If our monthly forecast proves to be correct, headline inflation would reach its sixth consecutive all-time low. Inflation remains stable in spite of the substantial MXN depreciation over the past 12 months as economic slack and the effect of reforms continue to offset the still moderate pass-through.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-	9-Nov	Nov				0.76%
Retail Sales I	12-Dec	Sep	-0.90%	-0.60%		-0.90%
Economic Ac	13-Dec	Sep		-0.20%		-0.76%
Chile						
Trade Balanc	9-Nov	Oct	-150	-200		-\$85.0
Central Bank	11-Nov			--		
Overnight Ra	12-Dec	Nov	3.25%	3.25%		3.25%
Colombia						
Colombia Mx	13-Dec					
Mexico						
CPI MoM	9-Nov	Oct	0.52%	0.50%		0.37%
CPI Core MoI	9-Nov	Oct	0.26%	0.25%		0.37%
CPI YoY	9-Nov	Oct	2.48%	2.47%		2.52%
Vehicle Prod	9-Nov	Oct				278781
Industrial Pri	11-Nov	Sep	1.33%	1.23%		1.00%
Industrial Pri	11-Nov	Sep	0.40%	0.30%		0.20%
ANTAD Same	11-Nov	Oct				8.00%
Central Bank	12-Dec					
Formal Job C	12-Dec	Oct		134.7k		117.6k
Peru						
Trade Balanc	10-Nov	Sep				-\$231m
Reference Ri	13-Dec	Nov	3.50%	3.50%		3.50%

Source: BBVA Research

Most recent Latam reports

Date	Description
11.06.2015	Colombia: Automotive sector, recent developments and outlook
11.06.2015	Chile: Inflation in October surprised to the upside
11.06.2015	Colombia: Foodstuff inflation unstoppable
11.06.2015	Brazil: Inflation at 10%? Almost there
11.05.2015	Chile: Imacec surprised to the upside and eases the fears of a technical recession (In Spanish)
11.03.2015	Mexico: Credit to the private sector: grew 13.3% in September
11.03.2015	Mexico: Remittances grow 4.8% in September, with a flow of USD2,060mn (In Spanish)
11.03.2015	Peru: Inflation goes down in October but we expect this to be only transitory
11.03.2015	Colombia: BanRep increased the repo rate 50bp up to 5.25%
10.29.2015	Brazil: COPOM: the plan is still to leave interest rates unchanged
10.29.2015	Peru: In the third quarter, exports would have recorded its worst drop since 2009
10.29.2015	Mexico: Monetary pause continues. More relaxed tone result of lower economic activity
10.29.2015	Chile: September IMACEC would be 2% YoY (In Spanish)

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