

LatAm Daily | Inflation peaked at 10.7% YoY in Brazil at the end of 2015

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Despite inflation was somewhat lower than expected in December; it was well above the target range due to the “normalisation” of regulated prices together with the impact of the exchange rate depreciation and other supply shocks. December’s inflation was also lower than expected in Chile, where incoming data support a pause in MPR at this week’s Monetary Policy meeting.

Brazil - Inflation peaked at 10.7% YoY in December

Inflation closed 2015 at 10.67% YoY, somewhat lower than expected (BBVAe: 10.8% YoY; consensus: 10.7% YoY), but still well above the target range (2.5%-6.5%). Increases in food, housing and transport prices jointly accounted for 71% of inflation in 2015. The “normalisation” of regulated prices, which increased 18.1% YoY in 2015, is directly related to the abnormally high inflation in the housing and transport groups. Moreover, it is one of the factors, together with the impact of the exchange rate depreciation and some other supply shocks, that help to explain the 12.0% YoY increase in food prices in 2015. After trending up during the last year, inflation should start to decline in January, due to lower (although still high) pressure from regulated prices. Inertia and the effect of a weaker currency cast doubts on the convergence of inflation to the target range in 2016, but we still expect inflation to reach 6.1% YoY in December 2016 (see more details in our [Brazil Flash](#)).

Chile - CPI closes 2015 with an increase of 4.4% YoY

CPI registered a 0.0% MoM figure in December 2015 (+4.4% YoY), below our expectations and those of the market (both at +0.1% MoM). The monthly print was driven by positive contributions from transportation fares and housing that were fully offset by higher than expected declines in food stuffs. Nonetheless, the measure that excludes foods and energy increased +0.3% MoM (+4.7% YoY). Finally, all incoming data support a pause in rates at this week’s monetary policy meeting (see our [Chile Flash](#) in Spanish for details).

What to watch today

No relevant news is expected for today.

Calendar indicators

| | Date | Period | Consensus | BBVAe | Actual | Prior |
|---------------------------------|--------|--------|-----------|--------|--------|---------|
| Brazil | | | | | | |
| IGP-M Inflation 1st Preview | 11-Jan | Jan | 0.48% | | | 0.44% |
| CNI Capacity Utilization (SA) | 12-Jan | Nov | | | | 77.70% |
| FIPE CPI - Weekly | 12-Jan | Jan | 0.86% | | | 0.91% |
| Retail Sales MoM | 13-Jan | Nov | -0.90% | -0.50% | | 0.60% |
| Economic Activity MoM | 14-Jan | Nov | -0.90% | -0.30% | | -0.63% |
| Formal Job Creation Total | 15-Jan | Dec | -650000 | | | -130629 |
| FGV Inflation IGP-10 MoM | 15-Jan | Jan | 0.56% | | | 0.81% |
| National Unemployment Rate | 15-Jan | Oct | 9.00% | | | 8.90% |
| Tax Collections | 15-Jan | Dec | 115100 | | | 95461m |
| CNI Industrial Confidence | 15-Jan | Jan | | | | 36 |
| Chile | | | | | | |
| Central Bank's Economist Survey | 12-Jan | | | | | |
| Central Bank's Traders Survey | 13-Jan | | | | | |
| Overnight Rate Target | 14-Jan | Jan | 3.50% | 3.50% | | 3.50% |
| Colombia | | | | | | |
| Consumer Confidence Index | 13-Jan | Dec | | 2.0 | | 6.7 |
| Mexico | | | | | | |
| Industrial Production NSA YoY | 11-Jan | Nov | 1.30% | | | 0.50% |
| Vehicle Production AMIA | 11-Jan | Dec | | | | 296338 |
| Formal Job Creation Total | 12-Jan | Dec | | | | 132.3k |
| Gross Fixed Investment | 14-Jan | Oct | 2.70% | | | 5.70% |
| Peru | | | | | | |
| Trade Balance | 11-Jan | Nov | | | | -\$182m |
| Reference Rate | 15-Jan | Jan | 3.75% | 4.00% | | 3.75% |
| Economic Activity YoY | 15-Jan | Nov | 3.75% | 3.70% | | 3.00% |
| Unemployment Rate | 15-Jan | Dec | 6.00% | | | 5.80% |

Source: Bloomberg and BBVA Research

Most recent Latam reports

| Date | Description |
|------------|---|
| 01.08.2016 | Mexico: Oil in lowest level since 2004 and dollar in record high |
| 01.08.2016 | Brazil: Inflation peaked at 10.7% YoY in December |
| 01.08.2016 | Peru: Exports continue to improve in November (In Spanish) |
| 01.08.2016 | Chile: CPI closes 2015 with an increase of 4.4% YoY (In Spanish) |
| 01.07.2016 | Chile: Emissions by a total of 11,000md are announced (In Spanish) |
| 01.06.2016 | Colombia: Inflation closed 2015 at 6.8% (In Spanish) |
| 01.05.2016 | Chile: IMACEC growth in November disappoint again (In Spanish) |
| 01.04.2016 | Peru: Inflation surprising on the upside in December |
| 01.04.2016 | Chile: We forecast CPI for December at 0.1% MoM (4.5% YoY) (In Spanish) |
| 01.04.2016 | Mexico: Remittances grow 6.3% in November with a flow of 1887.9md (In Spanish) |
| 12.30.2015 | Chile: November IMACEC would be between 2.25% and 2.75% YoY (0.2% MoM) (In Spanish) |
| 12.23.2015 | Brazil: BCB is concerned with the impact of fiscal uncertainty and "non-economic events" |
| 12.22.2015 | Chile: An optimistic central bank baseline scenario for 2016 |
| 12.21.2015 | Chile: Monetary Policy Report: the optimism persists (In Spanish) |
| 12.18.2015 | Mexico: Monetary hike that helps the peso in the range |
| 12.18.2015 | Colombia: BanRep increased its monetary policy rate in 25bp to 5.75% |
| 12.18.2015 | Chile: Central bank increases the policy rate to 3.50%, surprising part of the market |
| 12.17.2015 | Chile: 25bp hike in the MPR that we consider preventive rather than aggressive (In Spanish) |
| 12.17.2015 | Mexico: 0.25% rise in the monetary policy rate |

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