

LatAm Daily | Preliminary GDP growth in Chile points to 2% in 2015; downward bias for 2016

Enestor Dos Santos / Hugo Perea / Cecilia Posadas / Jorge Selaive / Carlos Serrano / Juana Téllez

In Brazil inflation surprised to the upside; we revised our forecast for inflation upwards at the end of 2016 to 6.8%, but we continue to see the Selic stable at 14.25% for a long period. In Colombia El Niño drives up inflation; we expect a downward trend in inflation over the course of the year although not enough to return it to the target band by the end of the year.

Brazil - Inflation surprises strongly to the upside

Inflation reached 10.71% YoY / 1.26% MoM in January, significantly above forecast (BBVAe: 10.4% YoY / 1.0%; consensus: 10.5% YoY / 1.1% MoM), mainly due to food and regulated (transport) prices. As a consequence of higher-than-anticipated pressure at the beginning of the year, annual inflation remained broadly stable at around 10.7% YoY in January. We still expect annual inflation to gradually lose steam over this and next year, due to lower albeit still substantial adjustments in administered prices as well as to the impact on prices of the contraction in domestic demand. However, taking into account Friday's figures and the evolution of other variables (mainly the relevance of indexation mechanisms, higher food prices and the weakening of the currency), we have revised our forecast for inflation at the end of 2016 upwards to 6.8% YoY from 6.3% YoY. Thus the convergence of inflation to the 2.5%-6.5% target range will likely only happen at the beginning of 2017 rather than at the end of 2016. January's inflation figures will put an extra pressure on the BCB, but we continue to see the Selic rate stable at 14.25% for a long period as the most likely scenario for monetary policy (for more details see our [Brazil Flash](#)).

Chile - Imacec increased 1.5% YoY in December 2015, above expectations

Economic activity in December 2015 increased 1.5% YoY (+0.8% MoM), above both our forecast and the market consensus (at 0.9% YoY). The figure was driven by positive contributions from services but offset by declines in mining output. With this figure, preliminary GDP growth reached 2.0% last year and +1.5% YoY in 4Q15 (the lowest quarterly growth rate in 2015). For the first month of 2016 we expect annual growth below 1% YoY due to weak trade balance figures in the month and a high comparison base. All in all, economic activity data remain weak, supporting the downward bias in our expectation for GDP growth in 2016 (see our [Chile Flash](#) in Spanish for details).

Colombia - El Niño drives up inflation

Annual inflation hit 7.5% in January (1.29% MoM) - the highest since 2008 - fuelled by an 12.3% rise in food prices, exceeding market expectations (consensus: 7.0% YoY, BBVAe: 7.1%). El Niño continues driving up inflation, with the price of perishable products jumped to 28% YoY (vs. 23% in the previous month). The exchange rate depreciation in December (8% MoM) also determined the January figure, although to a far lesser extent. We estimate that inflation will remain hovering around 7.5% during the first half of this year, as El Niño continues to push up food prices and the exchange rate depreciation increases the price of some goods and inputs. In 2H16 we should see inflation come down as the economy slows, agricultural supply increases, and the currency appreciates. However, this will not be enough to return inflation to the target band by the end of this year (See [Colombia Flash](#) for details).

Colombia - An increase of 3% for GDP in 2015 became more likely with the new ISE data

In November, the economic monitoring index (ISE in its Spanish acronym) grew 3.2% YoY s.a. (BBVAe: 2.5%, consensus: 2.6%), similar to October's figure (3.3%). The Cartagena Refinery could have offset the anaemic growth of private consumption, mainly in durable goods. Thus, if the refinery's performance is repeated in December (for which there is a high probability), the ISE growth would translate into GDP growth about of 3% for 2015.

Mexico - January's Consumer confidence index above expectations

January's consumer confidence index level was 92.5 points, and was higher than either our or consensus estimated (90.8 in both cases). The better than expected level of this index could be explained by the persistent low inflation at the beginning of 2016.

What to watch today

Chile - Consumer price index (January, 07:00hrs NYT)

We expect an increase of 0.3% MoM in January 2016 (+4.7% YoY), driven by increases in services (due to a rise in stamp duty) and healthcare that should be partially offset by declines in fuels, apparel and foodstuffs.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	11-Feb	Feb	1.70%			1.78%
FIPE CPI - Weekly	12-Feb	Feb	--			1.21%
Chile						
Vehicle Sales Total	8-Feb	Jan	--			29835
CPI MoM	8-Feb	Jan	0.30%			0.00%
CPI YoY	8-Feb	Jan	4.60%			4.40%
Trade Balance	8-Feb	Jan	\$690.0			-\$149.8
Central Bank's Economist Survey	10-Feb		0.00%			
Central Bank's Traders Survey	10-Feb		0.00%			
Overnight Rate Target	11-Feb	Feb	3.50%			3.50%
Colombia						
Colombia Monetary Policy Minutes	12-Feb		0.00%			
Vehicle Sales	12-Feb	Dec	--			
Mexico						
ANTAD Same-Store Sales YoY	8-Feb	Jan	--			8.10%
Vehicle Production AMIA	8-Feb	Jan	--			222941
CPI MoM	9-Feb	Jan	0.26%	0.34%		0.41%
CPI Core MoM	9-Feb	Jan	0.20%	0.20%		0.31%
CPI YoY	9-Feb	Jan	2.49%	257.00%		2.13%
Bi-Weekly CPI	9-Feb	Jan	0.12%	0.27%		0.03%
Bi-Weekly Core CPI	9-Feb	Jan	0.12%	16.00%		0.08%
Bi-Weekly CPI YoY	9-Feb	Jan	2.52%	266.00%		2.48%
Nominal Wages	10-Feb	Jan	--			4.50%
Industrial Production NSA YoY	11-Feb	Dec	-0.20%			0.10%
Industrial Production SA MoM	11-Feb	Dec	--	0.20%		-0.50%
Manuf. Production NSA YoY	11-Feb	Dec	1.40%			1.80%
Formal Job Creation Total	12-Feb	Jan	--	18.3 k		-303.7k
Peru						
Trade Balance	10-Feb	Dec	--			-\$314m
Reference Rate	12-Feb	Feb	--	4.25%		4.00%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
02.05.2016	Colombia: El Niño drives up inflation
02.05.2016	Chile: GDP grows 2% in 2015 with an Imacec above expectations (In Spanish)
02.05.2016	Brazil: Inflation surprises strongly to the upside
02.04.2016	Mexico: No change in fondeo rate. The tone turned restrictive (In Spanish)
02.03.2016	Mexico: Fondeo rate unchanged at 3.25% (In Spanish)
02.02.2016	Peru: Inflation keeps rising, as expected
02.01.2016	Chile: We forecast CPI in January 2016 at 0.3% MoM (In Spanish)
02.01.2016	Chile: Although the fiscal deficit closed at 2.2% of GDP in 2015, the room for fiscal manoeuvre will narrow
01.29.2016	Mexico: The peso appreciated nearly 2.0% over the week due to rising oil prices
01.29.2016	Colombia: BanRep increased its monetary policy rate to 6% in line with expectations

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