

## LatAm Daily | Moody's becomes the third agency to withdraw Brazil's investment grade

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*In addition to cutting Brazil's rating by two notches, Moody's has opted to maintain its negative outlook. Also in Brazil, credit markets continued to deteriorate: lower expansion of credit with higher lending rates and non-performing loans.*

### Brazil - Moody's downgrades Brazil to Ba2, two steps below the investment grade range, and maintains its negative outlook

As expected, Moody's has opted to withdraw Brazil's investment grade, following similar decisions announced in the last few months by S&P and Fitch. More precisely, it cut Brazil's sovereign rating by two notches, from Baa3, the last within the investment grade zone, to Ba2. In addition, Moody's has opted to maintain the negative outlook of the rating, signalling that further downgrades should not be seen with surprise. The main drivers behind the rating agency's decisions were the prospects that public debt will break the 80% of GDP barrier in the next three years and the political crisis, which makes the adoption of reforms and the implementation of a fiscal adjustment less likely. As we highlighted [last week, when S&P downgraded Brazil by one notch to BB](#), we do not expect the ongoing credit rating deterioration to trigger a correction in Brazilian policies.

### Brazil - Credit markets weakened further in January

The credit stock grew only 6.2% YoY in January, less than the 6.7% YoY for December and well below current rate of inflation (10.7% YoY in January). The further moderation, which is due to weak demand and the supply of credit, was widespread among the types of banks. Credit growth in public, domestic private and foreign private financial institutions reached 10.3% YoY, -1% YoY and 6.3% YoY, respectively, in comparison to 10.8% YoY, -0.6% YoY and 6.9% YoY in December. Lending interest rates increased again, reaching 31.4% on average, while the average term of credit loans declined to 112 months. Non-performing loans continue to trend upwards at the beginning of the year. They reached 3.5% in January, in comparison to 3.4% in December and 2.8% one year ago, and are expected to continue to increase moving forward. At this juncture, promoting the concession of loans by public banks as the government recently suggested is a risky policy as it would increase the exposure of these banks to the negative economic cycle.

## What to watch for today

### Brazil - Labor market report (January, 7 am NYT)

January's labour market report should show further worsening. In particular, it is expected to show an increase of the unemployment rate to 7.9%, 2.6 p.p. higher than one year ago.

## Colombia - Business confidence (January, no specific time)

We expect a heterogeneous performance between commercial and industrial confidences. Industrial confidence should show a slight recovery, to consolidate positive figures during two consecutive months (from 1.3 in December 2015 to 3 in January 2016 on a scale of -100 to 100). Meanwhile, commercial confidence should deteriorate (from 23.5 to 12.0), in line with the lower consumer confidence and the slowdown in household spending.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Formal Job Creation Total	22-Feb al 24-Feb	Jan	-157126			-596208.00
FGV CPI IPC-S	23-feb				1.1	1.4%
IBGE Inflation IPCA-15 MoM	23-feb	Feb	1.26	1.15%	1.42	0.9%
Current Account Balance	23-feb	Jan			-4817	-\$2460m
FIPE CPI - Weekly	24-feb				1.0	1.2%
Total Outstanding Loans	24-feb	Jan			3199.191	3217b
FGV Consumer Confidence	25-feb	Feb				67.90
Unemployment Rate	25-feb	Jan	7.5	7.9		6.9%
FGV Inflation IGPM MoM	26-feb	Feb	1.19			1.1%
Primary Budget Balance	26-feb	Jan				-71.7b
<b>Chile</b>						
Central Bank Meeting Minutes	26-feb					
<b>Colombia</b>						
Retail Confidence	25-feb	Jan		12.00		23.50
Industrial Confidence	25-feb	Jan		3.00		1.30
<b>Mexico</b>						
Retail Sales MoM	22-feb	Dec			-1.6	0.5%
Retail Sales YoY	22-feb	Dec			3.4	5.7%
GDP Full Year YoY	23-feb	2015			2.5	2.1%
Economic Activity IGAE YoY	23-feb	Dec			2.56	2.7%
GDP NSA YoY	23-feb	4Q		2.5%	2.5	2.5%
GDP SA QoQ	23-feb	4Q		0.6%	0.54	0.6%
Bi-Weekly CPI	24-feb	1-15 Feb		0.1%	0.29	0.4%
Bi-Weekly Core CPI	24-feb	1-15 Feb		0.3%	0.23	0.1%
Bi-Weekly CPI YoY	24-feb	1-15 Feb		2.8%	2.94	2.8%
Current Account Balance	25-feb	4Q				-\$8856m
Unemployment Rate SA	26-feb	Jan				4.4%
Trade Balance	26-feb	Jan		-1962.00		-926.5m

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
02.24.2016	<a href="#">Latam: The business model of Spanish banks in Latin America</a> (In Spanish)
02.23.2016	<a href="#">Colombia: Economic Outlook 1Q16</a>
02.22.2016	<a href="#">Latam: Economic Outlook 1Q16 (Presentation)</a>
02.19.2016	<a href="#">Colombia: BanRep increased its monetary policy rate to 6.25% in line with expectations</a>
02.19.2016	<a href="#">Latam: Economic Outlook 1Q16</a> (In Spanish)
02.18.2016	<a href="#">Colombia: Economic Outlook 1Q16 - Presentation</a>
02.17.2016	<a href="#">Peru: Economic Outlook 1Q16</a> (In Spanish)
02.17.2016	<a href="#">Mexico: Monetary fiscal and exchange rate measures</a> (In Spanish)
02.16.2016	<a href="#">Colombia: Economic Outlook 1Q16, infographic</a> (In Spanish)
02.16.2016	<a href="#">Colombia: Economic Outlook 1Q16</a> (In Spanish)
02.16.2016	<a href="#">Chile: January would mark the turning point in the annual growth</a> (In Spanish)
02.15.2016	<a href="#">Peru: Strong GDP growth in December, its fastest in two years</a>
02.11.2016	<a href="#">Peru: CB adjust MPR again and is more energetic with expectations</a> (In Spanish)
02.11.2016	<a href="#">Chile: CB maintains MPR unchanged.</a> (In Spanish)

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