

LatAm Daily | Flat policy rate scenario during the year is likely in Chile

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

The persistence of slow growth in activity combined with weak confidence figures was highlighted by the Minutes of March's MP meeting. A 25bp increase in rates and a pause at 3.5% were the two options, with the latter prevailing. In Mexico, the total fixed investment growth rate is expected to be low, reflecting a moderate pace of growth of activity for 1Q16.

Chile - Minutes revealed discussion over the bias for policy rates, signaling a more dovish stance

The minutes of March's monetary policy meeting revealed options that include both a 25bp increase in rates and a pause at 3.5%, with the latter prevailing. Furthermore, the minutes showed the existence of strong debates concerning the bias for policy rates, towards a neutral one. Nonetheless, for the moment it remains hawkish. The board highlighted the persistence of slow growth in activity combined with weak confidence figures. The low unemployment rate was somewhat lessened by acknowledging some slack due to the deceleration of nominal and real wages. Concerns about short-term inflation continued, which were mainly related to exchange-rate depreciation risks, driven by a scenario of further declines in copper prices. All in all, given this information, a flat policy rate during the year is the more likely scenario.

What to watch today

Chile - Monthly economic activity index (February, 07:30hrs NYT)

We expect the Imacec to have grown around 2.1% YoY in February. The figure is likely to be driven by positive contributions from retail sales and services.

Colombia - March Inflation (20:00 NYT)

We expect inflation to remain at 7.6% YoY (0.58% MoM). High food prices and gas utility tariffs should be the main factors behind this increase.

Mexico - Fixed Investment (January, 9:00 NYT)

We estimate that total fixed investment data for January 2016 will show an annual rate of growth of 0.8% (3% annual rate of growth of construction component and -4.1% growth rate of its Machinery and Equipment component). Our estimated growth rate of 0.8% is lower than the one estimated by consensus of 1%. Note that the observed annual growth rate of fixed investment of the previous month of 1.1% implies a minimum expansion of this variable, which will also continue in January, and which may also be reflecting a moderate pace of growth of economic activity for the first quarter of the year.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Vehicle Production Anfavea	06-abr	Mar				131313
FGV Inflation IGP-DI MoM	07-abr	Mar	0,47			0,41%
FGV CPI IPC-S	08-abr	Apr 7	0,5			
IBGE Inflation IPCA MoM	08-abr	Mar	0,46	0,53		0,90%
Chile						
Central Bank Meeting Minutes	04-abr					
Economic Activity YoY	05-abr	Feb	2,35	2,1	0,52	0,30%
Economic Activity MoM	05-abr	Feb	1	0,9	-0,11	0,00%
Trade Balance	07-abr	Mar	650			
Nominal Wage YoY	07-abr	Feb		5,7		
Nominal Wage MoM	07-abr	Feb		0,1		
CPI MoM	08-abr	Mar	0,5	0,6		0,30%
CPI YoY	08-abr	Mar	4,6	4,7		4,70%
Colombia						
Exports FOB	05-abr	Feb	2200	2220		\$1840.4
CPI YoY	06-abr	Mar	7,7	7.59		7,59%
CPI MoM	06-abr	Mar	0,7	0.58		1,28%
CPI Core MoM	06-abr	Mar				1,21%
CPI Core YoY	06-abr	Mar				5,88%
Mexico						
Gross Fixed Investment	05-abr	Jan	1	0.8%		1,10%
Vehicle Production AMIA	06-08 Apr	Mar				271278
CPI MoM	07-abr	Mar	0,17	0,17		0,28%
CPI Core MoM	07-abr	Mar	0,4	0,43		0,36%
CPI YoY	07-abr	Mar	2,62	2,63		2,73%
Bi-Weekly CPI	07-abr	1-mar	0,18	0,2		0,40%
Bi-Weekly Core CPI	07-abr	1-mar	0,08	0,14		0,12%
Bi-Weekly CPI YoY	07-abr	1-mar	2,53	2,54		2,74%
Consumer Confidence Index	08-abr	Mar	91,5	92.1		88,7
Nominal Wages	08-abr	Mar				4,20%
Peru						
Trade Balance	08-11 Apr	Feb	-227,5	-\$211m		-\$519m

Fuente: BBVA Research

Most recent Latam reports

Date	Description
04.04.2016	Mexico: Remittances up by 13.6% in February 2016, reaching US\$2,093.2m
04.04.2016	Mexico: Fiscal plans for 2017 represent another step in the right direction (In Spanish)
04.01.2016	Mexico Weekly: Investment & confidence outlook suggest an expansion in economic activity (In Spanish)
04.01.2016	Mexico: Credit to the private sector: continues its dynamism due to companies & consumers (In Spanish)
04.01.2016	Peru: Inflation surprised downwards and should tend to moderate from now on (In Spanish)
03.31.2016	Chile: We forecast CPI for March: 0.6% MoM (4.7% YoY)
03.31.2016	Chile: Despite significant creation of self-employment, unemployment rises to 5.9% (In Spanish)
03.31.2016	Brasil: No time (yet) for a monetary easing
03.30.2016	Chile: IMACEC in February between 2% and 2.5% (In Spanish)
03.29.2016	Mexico: Bank deposits: loses ground due to less dynamism in its two components (In Spanish)

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.