

LatAm Daily | Inflation in March in Brazil and Chile evolved below expectations

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In Brazil annual inflation declined to 9.39% (0.46% MoM); we expect convergence to 6.8% by the end of 2016 and to 4.5% by the end of 2017. CPI in Chile increased 0.4% MoM (4.5% YoY) in March; at tomorrow's MP meeting we expect a pause in rates and the beginning of a more dovish tone. Also, today we expect a negative monthly growth rate for industrial production in Mexico.

Brazil - Times of two-digit inflation are over

After remaining for some months above the 10.0% level, annual inflation declined to 9.39% in March. This figure was not only below previous figures but also lower than expected (BBVA: 9.49%; consensus: 9.42%). In monthly terms inflation declined to 0.46% MoM, the lowest figure since August 2015. Even though pressure from food prices remain well-alive (13.2% YoY, 1.2% MoM), less pronounced adjustments in administered prices and the impact of the weakening of domestic demand (service inflation reached 7.5% YoY in March, the lowest figure since 2010) are allowing inflation to move downwards. As these factors, together with a more appreciated exchange rate than previously expected, will likely continue to play a role on inflation dynamics going forward, we expect inflation to converge to 6.8% at the end of 2016 and to 4.5% at the end of 2017 (for more details see our [Brazil Flash](#)).

Chile - CPI inflation increased 0.4% MoM in March, below expectations

CPI registered a 0.4% MoM figure in March (+4.5% YoY), below our and consensus expectations (both at +0.6% MoM). The monthly print was driven by positive contributions from education, electricity prices and foods that were partially offset by declines in transportation. Meanwhile, the measure that excludes foods and energy increased +0.5% MoM (+4.8% YoY), but almost all driven by seasonal effects from education (+0.38 pp). All in all, inflation figures seem to be easing at a faster pace given both weak economic activity and a stable exchange rate with the absence of further depreciation shocks. In this context, all incoming data supports a pause in rates and the beginning of a more dovish tone at tomorrow's monetary policy meeting (see our [Chile Flash](#) in Spanish for details).

Mexico - Consumer confidence index came in at -1.8% m/m in March

In March 2016 the consumer confidence index registered a monthly rate of growth of -1.8% (m/m, sa), while its annual rate was also negative and of -4.2% (YoY, sa). We expected a slight positive monthly growth rate of 0.4% that will give a YoY growth rate of -1.3%. The data for March may be reflecting that economic activity and employment are not having the required effect on consumers to have them increase their confidence and, therefore, their consumption.

What to watch today

Mexico - Industrial production index (February, 8hrs NYT)

We expect February's industrial production index to show a negative monthly growth rate of -0.5% (m/m, sa), while consensus considers a negative growth rate of -0.3%. Note that in January the industrial production monthly growth rate was high and of 1.2%, due mainly to the unexpected high expansion of the construction industry. The negative growth that we expect for industrial production for February will diminish the positive effect of the growth that this indicator registered in January.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Retail Sales MoM	12-abr	Feb	-0,2	-0,3		-1,50%
Economic Activity MoM	13-abr	Feb	-0,6	-0,5		-0,61%
FGV Inflation IGP-10 MoM	14-abr	Apr	0,34			0,58%
CNI Industrial Confidence	14-abr	Apr				37,4
Tax Collections	15-22 Apr	Mar	93110			87851m
Chile						
Central Bank's Economist Survey	12-abr					
Overnight Rate Target	12-abr	Apr 12	3,5	3.50%		3,50%
Central Bank's Traders Survey	13-abr					
Colombia						
Retail Sales YoY	14-abr	Feb	2,5	2,3		2,20%
Industrial Production YoY	14-abr	Feb	6,8	6,1		8,20%
Consumer Confidence Index	14-abr	Mar	-16,65	-14		-21
Mexico						
Industrial Production NSA YoY	11-abr	Feb	1,4			1,10%
Industrial Production SA MoM	11-abr	Feb	-0,25			1,20%
ANTAD Same-Store Sales YoY	11-abr	Mar	7			9,60%
Formal Job Creation Total	12-13 Apr	Mar	125			142.3k
Peru						
Trade Balance	08-11 Apr	Feb	-227,5			-\$519m
Reference Rate	15-abr	Apr 14	4,25	4,25%		4,25%
Economic Activity YoY	15-abr	Feb	4,75	5,50%		3,40%
Unemployment Rate	15-abr	Mar	7			6,90%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
04.08.2016	Mexico Weekly: An unfavorable industrial performance corroborates moderate growth outlook (In Spanish)
04.08.2016	Brasil: Times of two-digit inflation are over
04.08.2016	Chile: Surprises in CPI inflation (In Spanish)
04.06.2016	Colombia: Inflation reaches 15-year high on soaring food prices
04.05.2016	Colombia: Automobile Market Outlook 2016 (In Spanish)
04.05.2016	Chile: IMACEC in 2.8% YoY explained by calendar effects and increases in mining (In Spanish)
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)

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