

LatAm Daily | MPR stays at 3.75% in Mexico. Colombia: April's inflation stood at 0.5% MoM

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In Mexico, the CB adopts a cautious tone as global outlook impairs and Banxico will probably synchronize with FED MP. In Colombia, April's inflation was lower than expected. In Brazil, the minutes support our view that the Selic rate will remain at 14.25% in the next months. In Chile, economic activity rose 2.1% YoY (-0.1% MoM SA) in March thanks to services, as expected.

Brazil - Diminished concerns about inflation do not imply that the beginning of a monetary easing cycle is imminent

As expected, the minutes of [last week's monetary policy meeting](#) revealed that the Monetary Policy Committee (Copom) is now somewhat less concerned about inflation than it was in the recent past. However, they explicitly showed that monetary easing is not yet an option. Taking that into account, we expect the Selic rate to remain unchanged at 14.25% for the near future. However, uncertainty regarding future monetary policy is now higher than usual as next week the Senate will likely accept to analyse the impeachment case, meaning that President Dilma Rousseff will likely have to step down for 180 days and Vice-President Michel Temer will assume presidential duties. In that case, he could decide to appoint a new president for the Central Bank of Brazil (BCB). Although a change at the head of this institution is potentially hawkish, there also exists the possibility that the new administration decides to formally concede independence to the monetary authority, which could help ease inflation expectations and create some room for monetary easing as early as this year (for more details see our [Brazil Flash](#)).

Brazil - Fitch downgrades the sovereign rating to BB

After withdrawing Brazil's investment grade in December, Fitch revised the country's sovereign rating down by one notch from BB+ to BB, two notches below the investment grade range. On top of that, the agency firm kept its negative outlook for the country, meaning that further downgrades are not unlikely going forward. The decision to downgrade Brazil to BB was motivated mainly by a sharper-than-expected economic contraction, the continuous deterioration of the prospects for fiscal accounts and the political turmoil.

Chile - Imacec increased 2.1% YoY in March, broadly in line with expectations

Economic activity rose 2.1% YoY (-0.1% MoM SA), broadly in line with market expectations (BBVAe: +2.4% YoY; consensus: +2.1% YoY). The figure was driven mainly by positive contributions from services. With this figure, we preliminary estimate that 1Q16 GDP growth increased 1.8% YoY (+4.7% QoQ SA annualised), which should ease downward the revision to GDP growth prospects for 2016-17. Nonetheless, aggregate economic activity remains weak (see our [Chile Flash](#) in Spanish for details).

Colombia - Inflation recedes slightly on lower utilities rates

April's inflation stood at 0.50% MoM, lower than market expectations (BBVAe: 0.59%, Bloomberg: 0.65%). Thus, CPI rose 7.9% in the 12 months through April, down from 8.0% the previous month. The drop in electricity rates (-5.6% MoM) and gas tariffs (-2.6% MoM) largely explain the inflation decline in annual terms. Despite the negative surprise of April, the results were in the direction we expected. We anticipated that food would continue pushing up inflation at the same time that tradable inflation would have a deceleration with the strengthening of the peso, with positive impacts on utility tariffs. Looking forward, we expect inflation to rise modestly on food prices and base effects during 2T16 and to slow later during 2H16 as the food supply increases, leaving headline inflation at 6.2% by year-end.

Mexico - Monetary policy rate stays at 3.75%. Cautious tone as global outlook impairs

Banxico adopted a gloomier perspective on the global outlook, as a result of the stalling of international commerce and the weak performance of the advanced and some emerging market economies. On the domestic side, neither the balance of risks of economic activity nor the balance of risks of inflation were modified. The former is relevant given that even when preliminary data on 1Q GDP growth signal a better than expected performance, the central bank pointed out that external demand and investment remain feeble. We maintain our perspective of synchronisation with FED monetary policy in the coming months (see our [Banxico Flash](#) in Spanish).

What to watch today

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

We expect an increase of 0.2% MoM in April CPI (+4.1% YoY), driven by increases in health and fuels that should be partially offset by declines in transportation fares and apparel.

Brazil - Consumer price index (April, 8:00hrs NYT)

Monthly inflation is likely to increase somewhat, to 0.52% MoM, pressured by food and medicine prices. Despite this, annual inflation is expected to continue to decrease. More precisely, we forecast it to inch down to 9.18% YoY from 9.39% YoY in March.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	02-may	Apr 29			0.49	0.38%
Trade Balance Monthly	02-may	Apr			4861	\$4435m
FIPE CPI - Monthly	03-may	Apr	0.51		0.46	0.97%
Industrial Production MoM	03-may	Mar	1.5	1.0	1.4	-2.50%
COPOM Monetary Policy Meeting Minutes	05-may					
Serasa April Retail Activity	05-may					
FGV Inflation IGP-DI MoM	06-may	Apr	0.37			0.43%
IBGE Inflation IPCA MoM	06-may	Apr	0.54	0.52		0.43%
Chile						
Economic Activity YoY	05-may	Mar	2.1	2.4%	2.06	2.80%
Economic Activity MoM	05-may	Mar	0.05	0.6%	-0.1	0.80%
Nominal Wage YoY	05-may	Mar	5.09		5.4	5.40%
CPI YoY	06-may	Apr	4.2	4.1%		4.50%
CPI MoM	06-may	Apr	0.3	0.2%		0.40%
Colombia						
Exports FOB	03-may	Mar	2402.3	2.261	2301.3	\$2297.4
Economic Activity Index SA YoY	05-may	Feb		2.7	3.02	3.20%
CPI YoY	06-may	Apr	8.1	8	7.93	7.98%
CPI MoM	06-may	Apr	0.65	0.59	0.5	0.94%
CPI Core MoM	06-may	Apr		0.39	0.17	0.66%
CPI Core YoY	06-may	Apr		6.25	6.02	6.20%
Mexico						
Central Bank Economist Survey	02-may					
Vehicle Domestic Sales AMIA	02-04 abr	Apr			118407	116863
IMEF Manufacturing Index SA	03-may	Apr			51.8	51.6
IMEF Non-Manufacturing Index SA	03-may	Apr			50.504	50.8
Gross Fixed Investment	04-may	Feb	4.3		5.2	0.10%
Leading Indicators (MoM)	04-may	Mar			-0.03	-0.17
Overnight Rate	05-may	May 05	3.75		3.75	3.75%
Consumer Confidence Index	06-may	Apr	90.1			89.2

Source: Bloomberg and BBVA Research

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05.05.2016	Bazil: Changes in the BCB board, rather than interest rate cuts, are on sight
05.05.2016	Chile: Economic activity increases in 1Q16 rises 1.8% YoY (In Spanish)
05.04.2016	Mexico: Fondeo rate unchanged at 3.75% (In Spanish)
05.03.2016	Colombia: BanRep's Board continue increasing the monetary policy rate
05.02.2016	Mexico: Remittances growth spurt break and fall 2.4% and flow 222,8 md in March (In Spanish)
05.02.2016	Mexico: Credit to private sector moderates its progress and closes 1Q16 with 14.0% growth (In Spanish)
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04.26.2016	Peru: Value of total exports continues to shrink (In Spanish)

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