

LatAm Daily | Annual inflation declined further in Chile and Brazil in April

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

In Brazil, inflation eased less than expected in April. It should continue to trend down during 2016 supported by the weakening of domestic demand. In Chile, inflation reached 4.2%, broadly in line with expectations. Figures for both countries reinforce the view that reference interest rates will remain unchanged in the forthcoming monetary policy meetings.

Brazil - Inflation eased less than expected in April

Inflation reached 9.28% YoY in April, less than in March (9.39% YoY). In spite of the pressure created in April by the increase in medicines, the 3.1% MoM reduction in electricity tariffs allowed administered-price inflation to reach 0.7% MoM (10.7% YoY), below the figures recorded one year ago (0.8% MoM / 13.4% YoY). That and the more significant impact of the domestic demand slowdown, which for example helped to drive down service inflation to 0.6% MoM / 7.3% YoY in comparison to 0.7% MoM / 8.3% YoY one year ago, are some of the main factors behind the observed moderation of annual inflation. However, the decline in annual inflation was smaller than expected (BBVA: 9.18%; consensus: 9.18%), which reinforces [our view that the Selic rate will not be cut soon](#). Anyway, inflation should continue to trend down during the remainder of the year, thanks to the weakening of domestic demand and smaller adjustments in regulated prices (for more details see our [Brazil Flash](#)).

Chile - CPI inflation at +0.3% MoM in April, broadly in line with expectations

CPI increased 0.3% MoM in April (+4.2% YoY), broadly in line with expectations. The monthly print was driven by positive contributions from health, rental and fuels that were partially offset by declines in apparel and transportation fares. Figures do not show further signs of exchange rate pass-through, given the recent CLP appreciation. All in all, inflation data should ease at low pace during the year to close at around 3.2% in 2016 eop. In this context, all incoming data supports a pause in rates at May's monetary policy meeting (see our [Chile Flash](#) in Spanish for details).

What to watch today

Chile - Trade balance (April, 7:30hrs NYT)

We expect a trade surplus of around USD645mn in April, with exports at USD 5.18bn (-9.0% YoY) and imports reaching USD 4.54bn (-4.5% YoY), still reflecting weakness in both domestic and external demand.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	09-may	May 07	0.66			0.49%
Retail Sales MoM	11-may	Mar	-0.6	0.0		1.20%
Economic Activity MoM	13-may	Mar	-0.1	0.0		-0.29%
CNI Industrial Confidence	13-may	May				36.2
Chile						
Trade Balance	09-may	Apr	623			\$610
Copper Exports	09-may	Apr				\$2418.6
Central Bank's Economist Survey	10-may					
Colombia						
Colombia Monetary Policy Minutes	13-may					
Mexico						
CPI MoM	09-may	Apr	-0.25	-0.23		0.15%
CPI Core MoM	09-may	Apr	0.19	0.17		0.36%
CPI YoY	09-may	Apr	2.6	2.63		2.60%
Bi-Weekly CPI	09-may	Apr 30	0.03	0.07		-0.34%
Bi-Weekly Core CPI	09-may	Apr 30	0.08	0.06		0.15%
Bi-Weekly CPI YoY	09-may	Apr 30	2.59	2.65		2.60%
Vehicle Exports AMIA	09-may	Apr				224184
Vehicle Production AMIA	09-may	Apr				266960
ANTAD Same-Store Sales YoY	10-may	Apr	7.5			5.80%
Nominal Wages	10-may	Apr				4.50%
Industrial Production NSA YoY	12-may	Mar	-0.85			2.60%
Industrial Production SA MoM	12-may	Mar	0.1			-0.10%
Formal Job Creation Total	12-11 may	Apr				59.4k
Peru						
Trade Balance	09-11 may	Mar	-400			-\$249m
Reference Rate	13-may	May 12	4.25	4.25		4.25%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
05.06.2016	Mexico: Mexico Weekly: Concerns about the global cycle influence the peso depreciation (In Spanish)
05.06.2016	Brazil: Inflation eased less than expected in April
05.06.2016	Chile: April's CPI increased by 0.3% MoM in line with consensus (In Spanish)
05.06.2016	Chile: Chile economic outlook. Second quarter 2016 (In Spanish)
05.06.2016	Colombia: Inflation recedes slightly in April on lower utilities rates
05.05.2016	Mexico: Monetary policy rate stays at 3.75%. Cautious tone as global outlook impairs (In Spanish)
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)

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.