

LatAm Daily | In Brazil, inflation rebounded more than expected at the beginning of May

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May's IPCA-15 reached 9.6% YoY (0.86% MoM), higher than in April and expectations. This upward surprise shows that our expected deceleration scenario could be slower. The fiscal target has been changed to a deficit of 2.75% of GDP in 2016; the fiscal result will be worse than expected. Mexico's 1Q16 GDP grew by 0.8%; we expect moderate growth in the coming quarters.

Brazil - A new fiscal target deficit is set

In Brazil, the government changed the fiscal target to a deficit of about (-)170 bn reais (\$48.4 billion), equivalent to 2.75% of GDP in 2016. Last year the government posted a record deficit of 1.94% of GDP. The new target shows that the fiscal result for this year will be worse than expected so far (our forecast was for a primary deficit of 100 bn reais, equivalent to 1.5% of GDP). Although in the coming weeks new measures to cut spending and increase government revenue might be implemented, solving the fiscal problem is a complicated task. Finance Minister Henrique said the government will announce new measures next week.

Brazil - Inflation rebounded more than expected at the beginning of May

May's IPCA-15, which measures inflation from the middle of April to the middle of May, posted figures of 9.6% YoY / 0.86% MoM. These figures are not only higher than those observed at the beginning of April (9.34% YoY / 0.51% MoM), but also well above expectations. The increase in inflation at the beginning of May was mainly due to pressures from food and medicine prices. Taking IPCA-15 information into account, we have fine-tuned our forecasts for the full month of May slightly up to 9.13 % YoY / 0.60% MoM. Even though we continue to expect inflation to lose steam over the next few months, recent upward surprises show that this deceleration could be somewhat slower than expected, which would reinforce furthermore our view that the Selic rate will not be cut by the BCB in the forthcoming months.

Mexico - 1Q2016 GDP grew 0.8% (Q/Q, sa)

Mexico's 1Q2016 GDP grew 0.8%, the result of a quarterly rate of growth of 3.5% of the primary sector, 1.2% of the industrial sector, and of 0.8% of the service sector. The annual rate of growth was: 2.8% total GDP; 2.7% primary sector; 1.9% industrial sector; 3.7% service sector. Note that we expect the rate of growth of GDP to moderate in the following quarters.

What to watch today

No relevant news is expected for today.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	23-may	may-22	0.7			0.67%
Trade Balance Weekly	23-may	may-22				\$1747m
FGV Consumer Confidence	24-may	May				64.4
Current Account Balance	24-may	Apr	-900			-\$855m
FIPE CPI - Weekly	25-may	may-23	0.48			0.41%
Chile						
Central Bank's Traders Survey	25-may	May				
Colombia						
Retail Confidence	26-may	Apr		15.00		25.5
Industrial Confidence	26-may	Apr		6.20		4.1
Overnight Lending Rate	27-may	may-27	7.25	7.5		7.00%
Mexico						
Retail Sales MoM	23-may	Mar	0.1			0.20%
Retail Sales YoY	23-may	Mar	4.8			9.60%
Bi-Weekly CPI	24-may	may-15	-0.31	-0.15		-0.09%
Bi-Weekly Core CPI	24-may	may-15	0.11	0.07		0.16%
Bi-Weekly CPI YoY	24-may	may-15	2.68	2.87		2.48%
Trade Balance	25-may	Apr	-570	-366		155.0m
Current Account Balance	25-may	1Q	-8300			-\$7698m
Mexican Central Bank Releases Inflation Report	25-may					
Unemployment Rate SA	27-may	Apr	4.15			4.19%
Unemployment Rate NSA	27-may	Apr	4.1			3.74%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
05.20.2016	Mexico: Bank deposits: improved performance driven by its two components (In Spanish)
05.20.2016	Mexico Weekly: Increased likelihood of a Fed hike in June influences the peso de preciation (In Spanish)
05.19.2016	Mexico: Possible MPR hike & FX intervention only if MXN underperforms EM cur rencies again (In Spanish)
05.18.2016	Chile: GDP grows by 5.3% QoQ in 1Q16 annualized by factors that can be non- permament (In Spanish)
05.18.2016	Chile: Central Bank kept policy rate at 3.5% as widely expected (In Spanish)
05.16.2016	Peru: Mining and public investment continued to support economic growth in Mar ch (In Spanish)
05.13.2016	Mexico Weekly: Dollar strengthened due to higher than expected economic data i n the US (In Spanish)
05.13.2016	Peru: More benign inflation outlook leads the Central Bank to keep its rate on hol d (In Spanish)
05.12.2016	Brazil: Brazil Economic Outlook. Second Quarter 2016
05.06.2016	Mexico: Mexico Weekly: Concerns about the global cycle influence the peso depr eciation (In Spanish)

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