

LatAm Daily | Some improvement in May's external sector figures in Chile

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Trade balance showed a surplus of USD 745M in May, driven by exports due to positive contributions from manufacturing and agriculture. However, the main reason behind is related to the calendar effects. Today in Brazil we expect the BCB to leave the Selic rate unchanged at 14.25% during its MP meeting, and data on May's inflation in Brazil and Chile will be released.

Chile - Strong calendar effects behind May's trade figures

The trade balance posted a surplus of USD745mn in May and a positive USD3,409mn YtD. The monthly print was driven by exports at USD 5.05bn (+1.6% YoY), mainly driven by positive contributions from manufacturing (+8.5% YoY; USD2,014mn) and agriculture (+29% YoY; USD547mn). Mining exports declined 7.4% YoY reaching USD2,489mn. Meanwhile, imports showed a mild increase towards USD4.30bn (+0.6% YoY), with some recovery in consumption and capital goods (+7.9% YoY and +6.1% YoY, in each case). Overall, external sector figures showed some improvement in domestic and external demand during May, but mainly related to strong calendar effects related to three additional working days compared to May 2015.

What to watch today

Brazil - Inflation (May, 8:00hrs NYT)

May's IPCA should come in at around 0.7% MoM (BBVAe: 0.68% MoM; consensus: 0.75% MoM), higher than in the two previous readings, largely thanks to pressure from regulated and food prices. In annual terms, inflation will likely remain broadly stable around 9.2% - 9.3% in May, after a significant downward trend in the last three months. However, we expect inflation to continue to trend downward during the next few months, nearing 8.7%, 8.2% and 6.8% at the end of 2Q16, 3Q16 and 4Q16, respectively.

Brazil - Monetary policy decision (after local markets close)

We expect the BCB to leave the Selic rate unchanged at 14.25% in the last monetary policy meeting under the command of Alexandre Tombini. The next monetary policy meeting will be led by Ilan Goldfajn, whose appointment was approved yesterday by the Senate. Even though the change in the board of the BCB increases the uncertainty regarding monetary policy, we see an interest rate cut in the next few months as an unlikely event. In our view, the most likely scenario is that the Selic rate is left unchanged at 14.25% for some further time to reinforce the new monetary authorities' commitment to lower inflation.

Chile - Consumer price index (May, 08:00hrs NYT)

We expect an increase of 0.3% MoM in May (+4.3% YoY), driven by foodstuffs and housing that should be partially offset by declines in apparel. Meanwhile, core measures that exclude foods and energy will rise around 0.1% MoM (+4.5% YoY).

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Vehicle Sales Anfavea	06-jun	May			167489	162939
Trade Balance Weekly	06-jun	jun-05			813	
FGV Inflation IGP-DI MoM	07-jun	May	0.89		1.13	0.36%
FGV CPI IPC-S	08-jun	jun-07	0.62			0.64%
IBGE Inflation IPCA MoM	08-jun	May	0.75	0.68		0.61%
Selic Rate	08-jun	jun-08	14.25	14.25		14.25%
IGP-M Inflation 1st Preview	09-jun	Jun	0.64			0.59%
Chile						
Economic Activity YoY	06-jun	Apr		1.50%	0.74	2.10%
Economic Activity MoM	06-jun	Apr		1	-1.26	-0.10%
Trade Balance	07-jun	May	450	\$412	744.79	\$556
Exports Total	07-jun	May	4600	\$4725	5049.63	\$5068
Imports Total	07-jun	May	4150	\$4313	4305	\$4513
Copper Exports	07-jun	May			2274	\$2166.2
Nominal Wage YoY	07-jun	Apr	5.2	5.2	5.3	5.40%
Vehicle Sales Total	07-10-jun	May				22401
CPI YoY	08-jun	May	4.3	4.3		4.20%
CPI MoM	08-jun	May	0.3	0.3		0.30%
CPI Ex Food and Energy MoM	08-jun	May	0.2	0.1		0.30%
Central Bank's Traders Survey	08-jun	Jun				
Central Bank's Economist Survey	10-jun	Jun				
Colombia						
Colombia Monetary Policy Minutes	10-jun					
Mexico						
Consumer Confidence Index	06-jun	May			90.9	88.9
Vehicle Exports AMIA	06-jun	May			226240	197020
Vehicle Production AMIA	06-jun	May			279508	269604
CPI MoM	09-jun	May	-0.46	-0.43		-0.32%
CPI Core MoM	09-jun	May	0.22	0.20		0.22%
CPI YoY	09-jun	May	2.6	2.61		2.54%
Bi-Weekly CPI	09-jun	may-31	0.13	0.20		-0.48%
Bi-Weekly Core CPI	09-jun	may-31	0.11	0.08		0.08%
Bi-Weekly CPI YoY	09-jun	may-31	2.64	2.69		2.53%
Industrial Production NSA YoY	10-jun	Apr	1			-2.00%
Industrial Production SA MoM	10-jun	Apr	-0.05			-0.20%
Manuf. Production NSA YoY	10-jun	Apr	1.7			-1.50%
Peru						
Trade Balance	09-13-jun	Apr	-100			-\$69m
Reference Rate	10-jun	jun-09	4.25	4.25		4.25%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
06.07.2016	Colombia: Inflation accelerates in May in line with expectations
06.06.2016	Chile: MP report: cut in economic activity growth with greater, but still insufficient, monetary stimulus (In Spanish)
06.06.2016	Chile: Imacec increased 0.7% YoY in April, missing expectations (In Spanish)
06.06.2016	Brazil: Brazil's potential GDP falls to around 1%
06.03.2016	Chile: The unemployment rate increased slightly to 6.4% in April (In Spanish)
06.03.2016	Mexico Weekly: Fed hike less likely due to weak U.S jobs data (In Spanish)
06.03.2016	Colombia: Slowdown of the Colombian economy remains very gradual
06.02.2016	Mexico: Banking and financial system monthly report. June 2016 (In Spanish)
06.02.2016	Mexico: Credit to private sector: moderated dynamism due to slower corporate credit pace (In Spanish)
06.01.2016	Chile: Tax revenues fell despite higher tax rates and spending accelerates (In Spanish)

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