

LatAm Daily | Stable rates at the last monetary meeting before changes in the BCB board

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The Selic rate and the communiqué were left unchanged at the last meeting under the command of Alexandre Tombini, who will soon be replaced by Ilan Goldfajn. Also in Brazil, inflation surprised to the upside, further reducing the likelihood of monetary easing in the short-term. In contrast, in Chile May's inflation surprised to the downside.

Brazil - No surprises in the last monetary policy meeting under Tombini

As widely expected, the Selic rate was left unchanged at 14.25% and the accompanying statement was the same as that used in the previous monetary policy meeting: "The Committee acknowledges advances in the fight against inflation, especially in restraining second order effects of the adjustments in relative prices. However, it considers that high annual inflation and inflation expectations distant from targets do not offer room for an easing of monetary policy." In the next few days, Ilan Goldfajn, whose appointment has already been approved by the Senate, will replace Alexandre Tombini as the chairman of the BCB. Even though the change introduces some uncertainty regarding monetary policy going forward, we expect the new administration of the monetary institution to reinforce the commitment to low inflation and deliver a more hawkish tone. Therefore, we continue to see as unlikely the beginning of a new monetary easing cycle in the next few meetings.

Brazil - Inflation stopped falling in May but will continue to trend downwards going forward

After falling significantly in the last three months, annual inflation reached 9.32% in May, slightly higher than in April (9.28%) thanks to higher-than-expected pressure from food and regulated prices. In our view, inflation will continue to ease during the remainder of the year, as both food and regulated prices are expected to moderate moving forward and, moreover, the ongoing recession should further impact domestic prices. We forecast Brazil's IPCA to reach 8.8% YoY, 8.2% YoY, and 6.8% YoY at the end of 2Q16, 3Q16 and 4Q16, respectively. However, after the recent upward surprises in inflation, we add an upward bias to these forecasts. However, although the prospects of falling inflation remain in place, recent upward surprises reinforce our view that a monetary easing cycle will not be launched by the BCB in the short-term (for more details see our [Brazil Flash](#)).

Chile - CPI inflation decelerated more than expected in May

CPI inflation in May increased 0.2% MoM (+4.2% YoY), below both our and market expectations (+0.3% MoM). The figure was mainly driven by transitory factors, coming from a supply shock in perishable foods. Thus, core inflation decreased 0.1% MoM while services and non-tradable inflation registered null variation. All in all, we expect CPI inflation for June in a range of between 0.2% and 0.3% MoM and reinforce our forecast of 3.2% YoY for the end of 2016 (see our [Chile Flash](#) for details).

Chile - Wages fall 0.3% MoM during April, signalling labour market weakness

Nominal wages decreased 0.3% MoM in April (+5.3% YoY), while real wages fell 0.6% MoM (+1.1% YoY). All figures reinforce our view of an increasing weakness in the labour market, which should support a prolonged pause in policy rates during 2016 and 2017.

Chile - The trader's survey showed only one 25bp hike in rates during the next 12-month

The results showed inflation expectations at +0.3% MoM for June (BBVAe: between +0.2%/+0.3% MoM). The long-term view (24 months ahead) remained at +3.0% YoY, anchored to the central bank's target. In terms of policy rates, traders' expectations are for a pause in rates during the year and only one 25bp increase in twelve months' time to 3.75% (BBVAe: a prolonged pause at 3.5% for the 2016-17 period). Finally, the results showed expectations of a slight depreciative path for the exchange-rate, from levels of around USDCLP680 in the short-run, towards USDCLP696 by the end of the year.

What to watch today

Peru - Monetary policy meeting (June, 6.30p.m. NYT)

We expect the CB to keep the policy rate at its current 4.25% level. On the one hand, whilst it is true that the YoY inflation rate remains above the target range, it has however been going down over the last few months, the inflation outlook is more benign going forward, and inflation expectations are slowly moderating. On the other hand, private domestic demand remains sluggish.

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		0.59	0.64%
IBGE Inflation IPCA MoM	08-jun	May	0.75	0.68	0.78	0.61%
Selic Rate	08-jun	jun-08	14.25	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	22401
CPI YoY	08-jun	May	4.3	4.3	4.2	4.20%
CPI MoM	08-jun	May	0.3	0.3	0.2	0.30%
CPI Ex Food and Energy MoM	08-jun	May	0.2	0.1	-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
06.08.2016	Brazil: Inflation stopped falling in May but will continue to trend down going forward
06.08.2016	Chile: May's CPI (0.2% MoM) shows a inflation slowdown higher than expected (In Spanish)
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)

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