

LatAm Daily | Credit markets continued to deteriorate in May in Brazil

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In Brazil, non-performing loans increased to 3.8% (3.4% at the end of 2015 and 3.0% one year ago) and will probably continue to do so moving forward. Also in Brazil, the BCB's 2Q16 Inflation report will be released today. We expect the BCB to adopt a more hawkish tone and only cut the Selic rate by the end of the year or beginning of 2017.

Brazil - Non-performing loans continued to trend upwards in May

In accordance with the overall negative tone of the economy, credit markets continued to deteriorate in May. The credit stock remained broadly unchanged in comparison to April (0.1% MoM) and increased slightly (2.0% YoY) in nominal terms in comparison to May 2015 (in real terms, the credit stock dropped 7.3% YoY). Lending rates increased to 32.7% on average (32.5% in April and 27.1% in May 2015). Non-performing loans increased again to 3.8%, in comparison to 3.4% at the end of 2015 and 3.0% one year ago. In our view, the most likely scenario is that credit markets will continue to deteriorate during the remainder of the year, providing no support to domestic demand.

What to watch today

Brazil - Inflation report (2Q16, 7:30hrs NYT)

The BCB's 2Q16 Inflation Report, the first report to be released under the new administration of Ilan Goldfajn, is expected to show the monetary authority's strategy to make inflation converge to the 4.5% target. Even though an earlier easing of monetary conditions should not be ruled out, we expect the BCB to adopt a more hawkish tone and only cut the Selic rate by the end of the year or beginning of 2017.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV Consumer Confidence	27-jun	Jun			71.30	67.9
Central Bank Quarterly Inflation Report	28-jun					
Outstanding Loans MoM	28-jun	May			0.10	-0.60%
Fiscal report	29-jun	May				
FGV Inflation IGPM MoM	29-jun	Jun	1.5			0.82%
National Unemployment Rate	29-jun	May	11.4			11.20%
FGV CPI IPC-S	01-jul	jun-30	0.29			0.33%
Industrial Production MoM	01-jul	May	-0.08	0.0		0.10%
Markit Brazil PMI Manufacturing	01-jul	Jun				41.6
Trade Balance Monthly	01-jul	Jun	4000			\$6437m
Chile						
Manufacturing Production YoY	30-jun	May	2.5	3,0		-1.20%
Retail Sales YoY	30-jun	May	3.75	5,0		7.90%
Copper Production Total	30-jun	May				432277
Industrial Production YoY	30-jun	May	0.5			-3.40%
Unemployment Rate	30-jun	May	6.7	6.7		6.40%
Colombia						
Urban Unemployment Rate	30-jun	May	9.3	9.3%		9.10%
Economic Activity Index SA YoY	01-jul	Apr	3.5	3.3%		3.50%
Exports FOB	01-jul	May	2585.5	\$2450		\$2418.6
Mexico						
Trade Balance	27-jun	May			-527.44	-2079.6m
Unemployment Rate SA	28-jun	May	3.96			3.93%
Unemployment Rate NSA	28-jun	May	3.9			3.80%
Overnight Rate	30-jun	jun-30	4			3.75%
Central Bank Economist Survey	01-jul					
Peru						
CPI MoM	01-jul	Jun	0.15	0.16%		0.21%
CPI YoY	01-jul	Jun	3.36	3.37%		3.54%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
06.27.2016	Mexico: Bank deposits: mixed performance in its components (In Spanish)
06.24.2016	Mexico: Brexit leads the dollar above 19ppd (In Spanish)
06.24.2016	Mexico: New cuts to public spending to support fundamentals before volatility from Brexit (In Spanish)
06.23.2016	Mexico: ENIF 2015: Advances in the scope of information but with comparability problems (In Spanish)
06.22.2016	Colombia: BanRep increased its monetary policy rate 25bps up to 7.5%
06.17.2016	Chile: Central bank kept policy rate at 3.5% and modifies the restrictive tone (In Spanish)
06.16.2016	Brazil: Still no room for a monetary easing
06.15.2016	Peru: April's growth the lowest result so far this year and surprised to the downside (In Spanish)
06.14.2016	Inflation persistence in Latin America
06.10.2016	Mexico Weekly: New episode of peso adjustment resulting from proximity of the Fed meeting (In Spanish)

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