

## LatAm Daily | Inflation continues to trend down in Brazil

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*Annual inflation declined to 8.84% YoY in June from 9.32% YoY in May. We expect lower pressure from regulated prices and the contraction in domestic demand to continue to drive it down over 2H16 and 2017. Also, the Colombian CB published the minutes for its last MP meeting: they argue that the MPR hike was required to underpin the process of convergence of inflation.*

### Brazil - Inflation eased in line with expectations in June

Brazil's IPCA declined to 0.35% MoM in June, from 0.78% MoM in May, due to a widespread moderation in inflationary pressures. In particular, regulated-prices inflation decelerated to 0.2% MoM from 1.4% MoM in May and 1.1% MoM in June 2015, and service inflation dropped to 0.3% MoM from 0.4% MoM in May and 0.8% MoM in June 2015. The former shows that pressures from regulated prices are losing steam after a sharp adjustment process since the beginning of 2015, while the latter provides more support for the view that the contraction in domestic demand is helping to drive inflation down. The diffusion index, which shows the proportion of goods whose prices were adjusted upward in the period, declined to 55% in June, the lowest figure in many months. On the negative side, food inflation remains relatively high (0.71% MoM in June, in comparison to 0.78% MoM in May and 0.63% MoM in the same month last year), preventing a more significant deceleration in inflation. Looking ahead, we expect inflation to continue to lose steam moving forward. More precisely, we forecast annual inflation, which declined from 9.32% YoY in May to 8.84% YoY in June (BBVAe: 8.84% YoY; consensus: 8.84% YoY), to drop to 8.44% YoY in July, 8.24% YoY in September, 6.8% YoY in December and 4.5% YoY at the end of 2017.

### Colombia - BanRep's minutes

The central bank published the minutes for its last monetary policy meeting. According to the report, the majority of the Board Members considered it appropriate to increase the policy interest rate by 25 bp (taking the repo rate to 7.5%). They consider that this increase was required to underpin the process of convergence of inflation and inflation expectations to the target in 2017. One member of the CB's Board did not consider an additional increase to the benchmark interest rate necessary.

## What to watch today

No relevant news is expected for today.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FIPE CPI - Weekly	12-jul	jul-07	0.76			0.42%
Retail Sales MoM	12-jul	May	0.4	0.0		0.50%
Economic Activity MoM	13-jul	May	0.1	0.0%		0.03%
FGV Inflation IGP-10 MoM	15-jul	Jul	1.27			1.42%
CNI Industrial Confidence	15-jul	Jul				45.7
Tax Collections	15 jul-22 jul	Jun	95500			95219m
<b>Chile</b>						
Central Bank's Economist Survey	12-jul					
Central Bank's Traders Survey	13-jul					
Overnight Rate Target	15-jul	jul-14	3.5	3.5		3.50%
<b>Colombia</b>						
Retail Sales YoY	15-jul	May	3.84	4		5.40%
Industrial Production YoY	15-jul	May	7.25	5.5		8.40%
<b>Mexico</b>						
ANTAD Same-Store Sales YoY	11-jul	Jun	5.9			2.90%
Industrial Production NSA YoY	12-jul	May	1.55			1.90%
Industrial Production SA MoM	12-jul	May	0.1			-0.70%
Manuf. Production NSA YoY	12-jul	May	1.5			3.00%
Central Bank Monetary Policy Minutes	14-jul					
<b>Peru</b>						
Trade Balance	8 jul-11 jul	May			35	-\$40m
Reference Rate	15-jul	jul-14	4.25	4.25		4.25%
Economic Activity YoY	15-jul	May	4.3	4.8		2.50%
Unemployment Rate	15-jul	Jun	7			7.10%

Fuente: BBVA Research

## Most recent Latam reports

Date	Description
07.08.2016	<a href="#">Mexico Weekly: Employment data better than expected in the U.S. supports the peso</a> (In Spanish)
07.08.2016	<a href="#">Chile: June's CPI rose 0.4% MoM above market expectations, caused by specific products</a> (In Spanish)
07.06.2016	<a href="#">Colombia: Inflation surprises on the upside in June</a> (In Spanish)
07.05.2016	<a href="#">Chile: Economic activity slows down in May losing what was gained earlier this year</a> (In Spanish)
07.01.2016	<a href="#">Peru: Inflation remains downtrend</a> (In Spanish)
07.01.2016	<a href="#">Mexico: Private sector credit, better growth in its three segments</a> (In Spanish)
07.01.2016	<a href="#">Mexico: Remittances reach 2,477.8md (+13.1%), the best record for May since 2006</a> (In Spanish)
07.01.2016	<a href="#">Chile: Imacec with a ceiling of 2% YoY in May - Labor market depreciation surges</a> (In Spanish)
06.30.2016	<a href="#">Mexico: 50bps hike in the MPR amid fears that inflation expectations increase</a> (In Spanish)
06.29.2016	<a href="#">Mexico: Monetary policy rate unchanged at 3.75%</a> (In Spanish)

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