

LatAm Daily | Pause in monetary policy rate in Chile and Peru, in line with expectations

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Chile's CB kept both MPR at 3.5% and a moderate hawkish bias. Peru's CB also kept MPR at 4.25% due to a more benign inflation outlook. In Brazil, the BCB's economic activity index unexpectedly contracted by 0.5% MoM in May. We expect GDP to contract again in 2Q16 and economic stabilisation to arrive only in 2H16.

Brazil - Economic activity contracted 0.5% MoM in May

In line with the [surprise downturn in retail sales in May](#), the BCB's economic activity index, the IBC-Br, contracted 0.5% MoM in this period, in contrast with expectations of stabilisation. Taking that into account, as well as the fact that the IBC-Br grew by 0.1% MoM in April, if economic activity remains stable in June (0.0% MoM), then the contraction in 2Q16 will have been 0.7% QoQ. All in all, the economy remains weak as, among other reasons, credit and mainly labour markets continue to deteriorate and confidence remains low (political turbulence remains while fiscal accounts continue to deteriorate). We expect GDP to contract again in 2Q16, and economic stabilisation to arrive only in 2H16.

Chile - Central Bank stays alert: keeps interest rate and bias

Central Bank keeps both the MPR at 3.5% and a moderate hawkish bias. At the same time it recognises the appreciation of the peso, since it could start generating a deflationary shock in the medium term, which the economy might not be able to resist at this slow growth rate (see our [Chile Flash](#) in Spanish for details).

Peru - No surprises in the last monetary policy meeting

The CB decided to keep the policy rate at its current 4.25% level in the last meeting. This decision took into account a more benign inflation outlook (YoY inflation has been going down over the last few months and the inflation expectations are slowly moderating) and a sluggish private domestic demand (see our [Peru Flash](#) in Spanish for details).

What to watch today

Peru - GDP (May 2016, 11:30hrs NYT)

We estimate output to have grown by 4.8% YoY. On the positive side, there is a continuous impulse from mining production, construction has accelerated on the back of public works, and there is a positive statistical effect from gas production (in May 2015 the pipeline in southern Peru was damaged, halting gas production). On the negative side, there was once again a strong contraction in fishing (ban was not lifted in May), while some services show a trend towards moderation, reflecting sluggish private spending.

Colombia - Industrial production and retail sales (May, 15:00hrs NYT)

We expect industrial production to have grown by 5.5% YoY, decelerating respect to April's figure (8.4%) due to the existence of less working days in 2016. However, seasonal adjusted growth will continue to show a gradual consolidation of the industrial recovery in most sectors. Additionally, retail sales should grow by 4.0% (although with a slight downward bias). The retail sales trajectory will confirm the deceleration of private consumption, but at a slower pace than expected three months ago.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FIPE CPI - Weekly	12-jul	jul-07	0.75		0.78	0.42%
Retail Sales MoM	12-jul	May	0.40	0.0	-1	0.50%
Economic Activity MoM	13-jul	May	-0.20	0.0%	-0.51	0.03%
FGV Inflation IGP-10 MoM	15-jul	Jul	1.18			1.42%
CNI Industrial Confidence	15-jul	Jul				45.7
Tax Collections	15 jul-22 jul	Jun	98350			95219m
Chile						
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	3.5	3.50%
Colombia						
Retail Sales YoY	15-jul	May	3.60	4		5.40%
Industrial Production YoY	15-jul	May	7.00	5.5		8.40%
Mexico						
ANTAD Same-Store Sales YoY	11-jul	Jun	5.9		5.3	2.90%
Industrial Production NSA YoY	12-jul	May	1.60		0.43	1.90%
Industrial Production SA MoM	12-jul	May	0.25		0.26	-0.70%
Manuf. Production NSA YoY	12-jul	May	2.45		0.8	3.00%
Central Bank Monetary Policy Minutes	14-jul					
Peru						
Trade Balance	8 jul-11 jul	May			35	-\$40m
Reference Rate	15-jul	jul-14	4.25	4.25	4.25	4.25%
Economic Activity YoY	15-jul	May	4.6	4.7		2.50%
Unemployment Rate	15-jul	Jun	7.0	7.0		7.10%

Fuente: BBVA Research

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