

## LatAm Daily | The “new” Copom in Brazil leaves the Selic rate unchanged at 14.25%

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*In the first meeting under the presidency of Ilan Goldfajn, the BCB decided to leave the Selic rate stable. Moreover, in a more detailed accompanying statement, the monetary authority affirmed that “...there is no room for the easing of monetary policy”, supporting our view that the interest rate will remain unchanged for some further time.*

### Brazil - Stable Selic rate and still no hints about eventual cuts

In yesterday's monetary policy meeting, with the participation for the first time of the new BCB president Ilan Goldfajn and the four new members that he appointed, the Monetary Policy Committee (COPOM) decided unanimously to maintain the Selic rate at 14.25%, where it has been since July 2015. The accompanying statement took a new, more detailed format. Rather than a brief supporting paragraph it now includes some considerations on the external and domestic environment, inflation forecasts and a balance of risks for inflation's baseline scenario. In the new communiqué the COPOM specifically stated that the global environment remains “challenging” and that domestic economic activity will likely stabilise in the short-term. More importantly, the COPOM affirmed that inflation forecasts remained “relatively stable” since the last meeting: in the baseline scenario inflation for the end of 2017 is around 4.5%, but in the alternative scenario it is around 5.3%. Among the risks, the COPOM cited pressure from food prices in the short-term and uncertainty regarding (fiscal) adjustments. The statement closed with the following sentence: “Taken together, the baseline scenario and the current balance of risks indicate that there is no room for the easing of monetary policy”. The whole communiqué, especially this last assertion, suggests that the COPOM's plan is to keep the Selic rate at the current level for some further time. The beginning of a monetary easing cycle should only occur when inflation forecasts for 2017 (not only the COPOM's baseline scenario but also its alternative one) converge to 4.5%, something we think will happen at the beginning of 2017. However, positive news on the fiscal side could prompt an earlier cut of policy rates.

### What to watch today

#### Brazil - IPCA-15 (July, 8:00hrs NYT)

We expect July's IPCA-15, which measures inflation from mid-June to mid-July, to increase somewhat in monthly terms, from 0.40% MoM in the previous reading to 0.55% MoM, still pressured by the impact of supply shocks on food prices. In annual terms, inflation should ease slightly to around 8.94% at the beginning of July in comparison to 8.98% at the beginning of June.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Formal Job Creation Total	18jul - 22 jul	Jun	-56000		-72615	-72615
FIPE CPI - Weekly	19-jul	jul-15	0.82		0.85	0.78%
Selic Rate	20-jul	jul-20	14.25	14.25	14.25	14.25%
IBGE Inflation IPCA-15 MoM	21-jul	Jul	0.45	0.55		0.40%
<b>Colombia</b>						
Trade Balance	18-jul	May	-800	-708	-743.9	-\$1117.5
Imports CIF Total	18-jul	May	3539.07	3.543	3584.36	\$3701.2
Consumer Confidence Index	18-jul	Jun	-7	-7	-11.3	-12.5
Retail Confidence	21-jul	Jun		20		28.5
Industrial Confidence	21-jul	Jun		10		5.2
<b>Mexico</b>						
Bi-Weekly CPI	22-jul	jul-15	0.22			0.01%
Bi-Weekly Core CPI	22-jul	jul-15	0.15			0.08%
Bi-Weekly CPI YoY	22-jul	jul-15	2.7			2.53%

Fuente: BBVA Research

## Most recent Latam reports

Date	Description
07.15.2016	<a href="#">Weekly Mexico: Stock indexes reached new highs</a> (In Spanish)
07.15.2016	<a href="#">Peru: GDP rebounded in May, but its pace of growth will probably be more moderate in June</a> (In Spanish)
07.15.2016	<a href="#">Peru: No surprises regarding the decision of the Board of the Central Bank in July</a> (In Spanish)
07.15.2016	<a href="#">Chile: Central Bank stays alert: keeps interest rate and bias</a> (In Spanish)
07.12.2016	<a href="#">Chile: What does the update of fiscal forecasts of the finance authorities say?</a> (In Spanish)
07.11.2016	<a href="#">Peru: Public investment falls in June</a> (In Spanish)
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)

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