

## LatAm | The CB of Peru leaves the MPR unchanged as expected

Cecilia Posadas / Enestor Dos Santos / Jorge Redondo / Jorge Selaive Carrasco / Juana Téllez Corredor / Carlos Serrano Herrera / Hugo Perea Flores

*In Brazil, the Monetary Policy Committee revealed that the current tightening cycle is not over yet. Based on the overall tone of the minutes we believe that the Selic rate will be adjusted by a further 25bp in April.*

### Peru – The central bank decides to keep the benchmark interest rate at 3.25%

The central bank decided to keep the benchmark interest rate at 3.25%, as we anticipated. The high exchange rate volatility in March, and especially in the last few days, led us to believe that the central bank would opt to keep rates unchanged in order to avoid fuelling depreciation pressures on the local currency. This factor probably tipped the decision even though activity and expectations remain weak and the outlook for prices is better. These two elements imply that we cannot rule out an eventual easing of the monetary policy rate in the short term, depending on the volatility of the exchange rate in the days before the Board is due to meet.

### Brazil – More dovish monetary policy minutes, but the tightening cycle is not over yet

In the monetary policy minutes released yesterday, the Monetary Policy Committee (COPOM) acknowledged that the sharp adjustment in administered prices as well as the exchange rate depreciation process are adding to the inflationary pressures in 2015. Accordingly, it revised its inflation forecasts for 2015. In spite of the signs of increased concerns regarding short-term inflation, the minutes are, in our view, more dovish than the previous ones. The monetary authority revealed a more negative tone regarding economic activity. Moreover, inflation forecasts for 2016 were revised downwards, in line with its claim that “the scenario of convergence of inflation to 4.5% in 2016 has strengthened”. Even though we do not share this view with the COPOM (we continue to think that inflation will be at 5.5% at the end of 2016, after closing 2015 at 6.9%), we take it, together with the overall tone of the minutes, as a support to our view that the Selic rate will be adjusted by 25bp to 13.0% in April and will then remain unchanged at this level until the beginning of 2016. In any case, given the current abnormal pressures on inflation (which now stands at 7.8%), we would not be surprised if the monetary authority once more decides to surprise and implement a sharper tightening ahead.

## What to watch today

### Brazil – Retail sales (January, 7:00hrs NYT)

Retail sales are expected to contract somewhat in monthly terms at the beginning of the year as consumer confidence remains at very low levels while high inflation and the deceleration in the labour and credit markets hurts households.

### Colombia – Retail sales and industrial production (January, 17:00hrs NYT)

We expect retail sales to have increased 5.9% YoY in January, driven by the low rate of unemployment and the strong confidence levels that consumers reported in the month. On the other hand, we estimate Industrial production, could have grown 1.7% YoY as business confidence remains weak.

### Mexico – Industrial production (January, 09:00hrs NYT)

We are expecting to see moderate growth in January's industrial production, at a YoY rate of 2.17%, seasonally adjusted (sa). This estimate considers the recent performance of US industrial production, with a YoY variation of 4.9% and 4.8%, sa in December 2014 and January 2015 respectively. This suggests an

improvement in the growth of Mexican industrial production compared to the annual rate as of December of 1.97% sa. The performance of industrial production should provide pointers about GDP growth in the first quarter of 2015.

## Calendar indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
FGV CPI IPC-S	9-Mar	Mar-12	1.16	-	1.26%	0.97%
COPOM Monetary Policy Meeting Minutes	12-Mar	Jan-04	--	-	-	-
Retail Sales MoM	13-Mar	Jan	-0.5	-	-	-2.60%
<b>Chile</b>						
Vehicle Sales Total	9-Mar	Feb	--	-	23,891	23,891
Trade Balance	9-Mar	Feb	\$1,300.00	\$1,208.00	\$748.00	\$1,376.00
Copper Exports	9-Mar	Feb	--	\$2,975.00	\$2,480.00	\$2,870.00
<b>Colombia</b>						
Retail Sales YoY	13-Mar	Jan	7.9	-	-	9.60%
Industrial Production YoY	13-Mar	Jan	1.2	-	-	2.10%
Consumer Confidence Index	13-Mar	Feb	17.1	-	-	17.9
Vehicle Sales	13-Mar	Feb	--	-	-	-
<b>Mexico</b>						
CPI MoM	9-Mar	Feb	0.22	0.20%	0.19%	-0.1%
CPI Core MoM	9-Mar	Feb	0.37	0.37%	0.34%	0.0%
CPI YoY	9-Mar	Feb	3.03	3.01%	3%	3.1%
Vehicle Production AMIA	9-Mar	Feb	--	-	282,856	266,424
Vehicle Exports AMIA	9-Mar	Feb	--	-	222,351	204,907
ANTAD Same-Store Sales YoY	10-Mar	Feb	5.1	-	5.10%	5.50%
Formal Job Creation Total	12-Mar	Feb	129.85	117.6K	-	59.8K
Industrial Production YoY	13-Mar	Jan	2.1	3.31	-	3.00%
Industrial Production MoM	13-Mar	Jan	0.35	0.53	-	-0.30%
<b>Peru</b>						
Trade Balance	10-Mar	Jan	-500	-	-\$454	\$121M
Reference Rate	13-Mar	Mar	3.25	-	-	3.25%
Unemployment Rate	13-Mar	Feb	7	-	-	6.40%
Economic Activity YoY	13-Mar	Jan	1.7	-	-	0.50%

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
03.09.2015	<a href="#">Mexico: Still little evidence of pass-through</a>
03.06.2015	<a href="#">Chile: Once again CPI inflation above expectations in February</a>
03.06.2015	<a href="#">Colombia: Monthly inflation in February stood at 1.15%, taking the annual print up to 4.36%.</a>
03.05.2015	<a href="#">Chile: Imacec at 2.7% YoY support additional upwards revision in GDP growth expectations of market consensus</a>
03.05.2015	<a href="#">Mexico: Remittances fell in January (-0.7% YoY) after 17 consecutive months of growth</a>
03.05.2015	<a href="#">Brazil Flash: Another 50bp adjustment of the SELIC rate</a>
02.27.2015	<a href="#">Mexico Weekly: All eyes on consumer and producer confidence as indicators of economic performance in the first quarter</a>
02.23.2015	<a href="#">Mexico Weekly Flash: The quarterly GDP growth in the fourth quarter of 2014 was 0.7% (In Spanish)</a>
02.16.2015	<a href="#">Peru Flash: There was no economic recovery at the end of last year...</a>

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