

LatAm Daily | Brazil CB inflation report suggests the end of the SELIC adjustment is near

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

Also in Brazil, the unemployment rate continued to trend up together with a moderation in job creation.

Today we will keep an eye on Brazil's GDP and the unemployment rate in Mexico

Brazil – 1Q15 Inflation Report: the end of the Selic tightening cycle is close to an end

In the 1Q15 Inflation Report released yesterday, the Brazilian Central Bank revised significantly upwards its forecast for inflation of 2015 (from 6.1% to 7.9%), but marginally lowered its 2016 forecast (from 5.0% to 4.9%) and 4.7% in the first quarter of 2017. The COPOM states that the effects of realignment of relative prices (administered prices) as well as the exchange rate depreciation effects on inflation will be temporary and will be strongly mitigated in 2016. As regards economic activity, it highlighted that growth will be “below potential” in 2015. Likewise, the CB revised downwards its estimation for 2014 growth from 0.2% to -0.1%. For 2015 the BCB expects a decrease of 0.5%. Yesterday's report reinforces our view that the Selic tightening cycle is close to an end (we expect a final 25bp adjustment in April).

Brazil – Labour market report

According to the labour market report published yesterday, the unemployment rate reached 5.90% in February MoM (0.2% above Consensus) and 5.1% YoY. Likewise, the employed population decreased 1.00% MoM. As regards salaries, the average real wage decreased 1.40% MoM and 0.50% YoY.

Mexico– MPR left unchanged at 3.0%

The CB left the MPR unchanged at 3.0%, due to the weak pace of economic activity at the beginning of the year caused by the slowdown in exports, the little force of consumption indicators and the continued decline in oil production. The central bank emphasised that not only is it seeking a convergence of inflation towards the target 3.0%, but it is looking to strengthen it. At the moment, the beginning of the normalisation of the monetary policy cycle in the US and its adverse effects on inflation represent the greatest risk to achieving the goal. In this context, we believe that the CB will modify its position in sync with the FED around the third quarter of the year (See Mexico Flash in Spanish for more details)

What to watch today

Brazil – GDP (4Q14, 7:00hrs NYT)

The most recent activity indicators suggest that our 0.3% QoQ forecast for 4Q14 GDP growth has a clear downward bias. Amongst other things, investment in fixed capital probably remained very weak in the period, contrasting with the previous forecast of a moderate recovery at the end of the year. Similarly, our 0.1% forecast for 2014 as whole could prove to be somewhat optimistic. A stable GDP as well as small drop in GDP last year should not come as a surprise.

Mexico – Unemployment rate (February, 9:00hrs NYT)

We forecast that the unemployment rate will edge up to 4.55% in February. On 27 March, the INEGI will publish February's unemployment rate. Given the figure for employment creation in the formal sector in February (133,691 jobs through the IMSS), offset by weak industrial production in January (-0.4% MoM, sa), we expect the unemployment rate to stand at 4.55% in February, up from 4.51% in January. In seasonally adjusted terms, we estimate that February unemployment rate will be 4.46%, a touch higher than the previous month's 4.43%.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	23-Mar	Mar-26	1.58%		1.47%	1.49%
FGV Consumer Confidence	25-Mar	Mar	--		82.9	85.4
Foreign Direct Investment	25-Mar	Feb	\$3200M		\$2768.9M	\$3968M
Current Account Balance	25-Mar	Feb	-\$7300M		-\$6878.66M	-\$10654M
Unemployment Rate	26-Mar	Feb	5.70%		5.90%	5.30%
GDP QoQ	27-Mar	4Q	-0.10%			0.10%
GDP YoY	27-Mar	4Q	-0.70%			-0.20%
Total Outstanding Loans	27-Mar	Feb	--			3013B
Outstanding Loans MoM	27-Mar	Feb	--			-0.20%
CNI Consumer Confidence	27-Mar	Mar	--			100
Chile						
PPI MoM	24-Mar	Feb	--		-1.10%	-3.80%
Central Bank's Traders Survey	25-Mar	Jan-04	--			0
Mexico						
Aggregate Supply and Demand	23-Mar	4Q	3.80%			3.00%
Bi-Weekly CPI	24-Mar	Mar-19	0.25%	0.32%	0.18%	0.08%
Bi-Weekly CPI YoY	24-Mar	Mar-19	3.06%	3.12%	2.97%	2.97%
Economic Activity IGAE YoY	25-Mar	Jan	1.90%	2.40%	2%	3.15%
Overnight Rate	26-Mar	Mar-30	3%	3%	3%	3.00%
Unemployment Rate SA	27-Mar	Feb	4.46%	4.46%		4.43%
Unemployment Rate NSA	27-Mar	Feb	4.46%	4.55%		4.51%
Trade Balance	27-Mar	Feb	442.5M			-3247.5M

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
03.27.2015	Mexico: Monetary rate unchanged at 3.0%. FED on the spotlight (In Spanish)
03.26.2015	Mexico: In January the IGAE shows a weak monthly performance (0.2% MoM, sa)
03.26.2015	Mexico: Banking deposits: outstanding performance in January
03.26.2015	Mexico: Monetary rate unchanged at 3.0%. The relative monetary stance is the key variable
03.24.2015	Chile: We expect March PCI to be 0.78% MoM (4.4% YoY) (In Spanish)
03.24.2015	Colombia: La equidad en el Plan (In Spanish)
03.24.2015	Mexico: Core inflation leads the downside surprise
03.20.2015	Colombia: BanRep kept its monetary policy rate on hold at 4.5%
03.19.2015	Chile: Central bank kept policy rate at 3.00% in March's meeting

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