

LatAm Daily | Fitch cuts Brazil's outlook to negative from stable

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In Peru the CB decided to keep MPR at 3.25% despite the ongoing output weakness, FX depreciation pressures explain this decision. Today we will be watching out for the evolution of industrial production in Mexico that could confirm a moderate GDP growth in 1Q15.

Brazil –rating outlook cut to negative from stable to negative by Fitch

The risk agency maintained Brazil's rating unchanged at BBB, two levels above speculative-grade ratings. However, the rating outlook was revised to negative from stable, signalling that a downgrade is likely in a one- to two-year period. The change in the rating outlook by Fitch follows the recent sharp deterioration in fiscal indicators as well as an enlargement in domestic macroeconomic distortions and the weakening of economic growth. Yesterday's announcement follows S&P's decision last year to downgrade Brazil's rating to BBB-, the lowest investment grade. We expect the ongoing adjustment in economic policies, mainly the reversal of the fiscal policy's expansive tone, to prevent the country from losing its investment grade. However, the current political instability together with the crisis at Petrobras, amongst other factors, maintain the risk that the government could end up not implementing the announced adjustment and losing its investment grade.

Peru – Central bank keeps the policy rate at 3.25%

In spite of the ongoing output weakness, the CB decided not to cut its policy rate in March, as expected. FX depreciation pressures could once again explain this decision. Going forward, a more challenging inflation outlook and the proximity of the FED's monetary policy tightening cycle continues to reduce the opportunity window for a rate cut, which we consider to be necessary. (See [Peru Flash](#) in Spanish for more details)

What to watch today

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

We anticipate a slowdown in February's industrial production with a growth rate of 1.22% YoY, seasonally adjusted (sa). Due to the weak performance of the US industrial production, with annual variations of 4.36% and of 3.47%, sa, in January and February, respectively; we expect that Mexican industrial production in February should increase 1.22% YoY sa vs. 0.83% YoY sa of previous month. The industrial production should confirm our expectations of a moderate GDP growth in the first quarter of 2015.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Vehicle Production Anfavea	7-Apr	Mar	-	-	253622	200111
FGV Inflation IGP-DI MoM	8-Apr	Mar	1	-	1.21%	0.53%
FGV CPI IPC-S	8-Apr	Apr 7	1.38	-	1.22%	-
IBGE Inflation IPCA MoM	8-Apr	Mar	1.4	1.25%	1.32%	1.22%
IGP-M Inflation 1st Preview	10-Apr	Apr	0.78	-	-	0.74%
Chile						
Central Bank Meeting Minutes	6-Apr	Jan-04	-	-	-	-
Economic Activity YoY	6-Apr	Feb	1.8	-	1.95%	-
Economic Activity MoM	6-Apr	Feb	-0.1	-	-0.62%	0.40%
Trade Balance	7-Apr	Mar	739	-	999	\$748.00
CPI MoM	8-Apr	Mar	0.8	-	0.60%	0.40%
CPI Core MoM	8-Apr	Mar	0.6	-	0.50%	0.60%
CPI YoY	8-Apr	Mar	4.4	-	4.20%	4.40%
Central Bank's Economist Survey	10-Apr	Jan-04	-	-	-	-
Colombia						
Economic Activity Index SA YoY	7-Apr	Jan	-	2.70%	3%	-
Exports FOB	7-Apr	Feb	2957	3,100	2875	2,875.00
Mexico						
Vehicle Production AMIA	6-Apr	Mar	-	-	299809	282856
Consumer Confidence Index	8-Apr	Mar	92.2	92	93.1	90.3
CPI MoM	9-Apr	Mar	0.32	0.34%	0.41%	0.19%
CPI Core MoM	9-Apr	Mar	0.25	0.25%	0.26%	0.34%
CPI YoY	9-Apr	Mar	3.04	3.07%	3.14%	3.00%
Bi-Weekly CPI	9-Apr	Mar	0.18	0.23%	0.37%	0.18%
Bi-Weekly Core CPI	9-Apr	Mar	0.13	0.15%	0.18%	0.15%
Bi-Weekly CPI YoY	9-Apr	Mar	3.08	3.16%	3.30%	2.97%
Central Bank Monetary Policy Minutes	9-Apr	Jan-04	-	-	-	0.00%
Manufacturing Production YoY	10-Apr	Feb	3.5	3.36%	-	1.20%
Industrial Production YoY	10-Apr	Feb	1.65	1.22%	-	0.30%
Industrial Production MoM	10-Apr	Feb	0.35	0.36%	-	-0.40%
Peru						
Trade Balance	10-Apr	Feb	-	-	-	-\$454M
Reference Rate	10-Apr	Apr	3.25	-	-	3.25%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
04.10.2015	Peru: New monetary pause and the window of opportunity for rate cut is reduced (In Spanish)
04.09.2015	Mexico: Inflation was higher than expected: blame the tomato
04.08.2015	Brazil: Inflation jumps above 8%; pressure from administered prices to ease ahead
04.08.2015	Chile: March's CPI increased 0.6% MoM, below market expectations
04.06.2015	Chile: Imacec expanded 2.0% YoY in February, slightly above expectations
04.06.2015	Colombia: Inflation in March reaches maximum in 6 years driven by food costs (In Spanish)
04.01.2015	Peru: Inflation goes up in March, reducing the room for an eventual policy rate cut
30.03.2015	Mexico: IGAE and exports point to moderate economic performance in the first quarter
30.03.2015	Chile: Activity by sector anticipates an Imacec at around 2% YoY in February
03.27.2015	Mexico: Monetary rate unchanged at 3.0%. FED on the spotlight (In Spanish)

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