

Latam Daily | Minutes in Brazil in line with another hike in the Selic rate in June

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

In Mexico, headline inflation decreased in monthly terms in line with expectations, and supports our view of a subdued inflation outlook and year-end forecast at 2.8%. Our forecast leaves room to absorb possible pass-through and supply-shock pressures in coming months.

Brazil – The monetary tightening is not over yet

The monetary policy minutes revealed that in the COPOM's baseline scenario, the inflation forecast for the end of 2016 remained unchanged, thus remaining above the 4.5% target (probably around 4.9%, the last figure released by the monetary authority in its 1Q15 inflation report). In the market's alternative scenario, which takes into account markets forecasts for the explanatory variables, the forecast for the end of the next year is now higher than before. Moreover, the monetary authority not only repeated the message that the efforts to take inflation down to 4.5% by the end of 2016 are "still not sufficient", but it also added that the monetary authorities have to remain vigilant, which according to the COPOM's vocabulary suggests that a further tightening should be expected. Therefore, we now expect another 50bp adjustment of the Selic rate to 13.75% in the next monetary policy meeting on 2 June, which we think will probably be the last one given the already significant magnitude of the ongoing monetary tightening and the increasing weakness of economic activity (for more details, see our Brazil Flash).

Chile – April's trade balance broadly in line with our estimates

The surplus on the balance of trade reached USD1.15bn in April (BBVAe: USD1.30bn). The figure was explained by exports at USD5.96bn (-10.2% YoY; BBVAe: -8.4% YoY) and imports at USD4.81bn (-17.1% YoY; BBVAe: -17.7% YoY), revealing both weak domestic and external demand. All in all, with this figure we preliminarily estimate the Imacec growing at around 2% YoY in April.

Mexico – Subdued inflation outlook

Headline inflation decreased 0.26% MoM in April, broadly in line with expectations (BBVAe: -0.22%, consensus -0.24%). In annual terms, inflation edged down to 3.06% from 3.14% in March. The small surprise to our forecast came mainly from a lower than expected increase in meat and egg prices. Core inflation was 0.16% MoM, almost in line with consensus expectations (BBVAe: 0.14%, consensus: 0.14%). In annual terms, core inflation decreased to 2.31% from 2.45% in the previous month. Today's print supports our subdued inflation outlook and our year-end forecasts of 2.8% for headline inflation and 2.7% for core inflation. We continue to believe that our forecasts leave room to absorb possible pass-through and supply shock-related pressures in coming months (Mexico Flash).

What to watch today

Chile – Consumer price index (April, 07:00hrs NYT)

We expect the CPI to have risen 0.4% MoM in April (+3.9% YoY), mainly driven by increases in transportation fares, healthcare and foodstuff prices. Meanwhile, we anticipate that the core measure that

excludes foods and energy will rise by 0.4% MoM (+4.3% YoY).

Brazil – Inflation (April, 08:00hrs NYT)

We expect the IPCA to slow down significantly in monthly terms, to 0.65% MoM from 1.32% MoM in March, as most of the process of the realignment of administered prices is now over. However, annual inflation should remain broadly unchanged at 8.1% YoY, well above the 6.5% YoY target ceiling.

Colombia – BanRep's minutes (April, 14:00hrs NYT)

The central bank will release the minutes for its April meeting. Last month, BanRep kept its monetary policy rate on hold, a measure in line with both market and our own in-house expectations. In our view, the minutes will provide additional insights into BanRep's assessment of the current economic outlook and the recent increase in inflation.

Mexico – Consumer confidence index (April, 09:00hrs NYT)

We expect the consumer confidence index (CCI) to improve in April. On 8 May INEGI is set to release the CCI for April. Taking into account the job-creation in the formal market in March (105,136 jobs registered with the IMSS), we see the CCI climbing to a level of 93.7 points (sa), compared to 92.7 points the previous month. This will also be the equivalent of a level of 93.7 points based on the original data series (not seasonally adjusted).

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	4-May	Apr 30	0.6		61.00%	0.71%
Trade Balance Monthly	4-May	Apr	150		491	\$458M
Vehicle Sales Fenabrave	4-May	Apr			219350	234681
CNI Capacity Utilization (SA)	5-May	Mar			8080.00%	79.7%
PPI Manufacturing MoM	5-May	Mar			193.00%	0.26%
Industrial Production MoM	6-May	Mar	-0.7	-1.0	-80.00%	-0.9%
FGV Inflation IGP-DI MoM	7-May	Apr	0.88		283392	1.21%
COPOM Monetary Policy Meeting Minutes	7-May				0.92	
National Unemployment Rate	7-May	Mar	7.8		3.94	7.4%
Vehicle Production Anfavea	7-May	Apr			--	253622
FGV CPI IPC-S	8-May		0.6		--	
IBGE Inflation IPCA MoM	8-May	Apr	0.76	0.65	--	1.32%
Chile						
Economic Activity YoY	5-May	Mar	1	0.9	161.00%	2.0%
Economic Activity MoM	5-May	Mar	-0.7	-0.7	-30.00%	-0.6%
Trade Balance	7-May	Apr	1225.45		2.1	\$999.0
Copper Exports	7-May	Apr			0.54	\$2862.0
CPI MoM	8-May	Apr	0.3	0.4	--	0.6%
CPI YoY	8-May	Apr	3.9	3.9	--	4.2%
Colombia						
PPI Total MoM	4-May	Apr			-1.35	3.79%
Economic Activity Index SA YoY	5-May	Feb	2.8	2.5	2.1	3.0%
Exports (USD million)	5-May	Mar		3164	1	\$3128
CPI MoM	6-May	Apr	0.35	0.18	0.54	0.59%
CPI YoY	6-May	Apr	4.44	4.27	4.64	4.56%
CPI Core MoM	6-May	Apr		0.22	0.34	0.35%
CPI Core YoY	6-May	Apr		3.31	3.44	3.46%
Colombia Monetary Policy Minutes	8-May				--	
Mexico						
Leading Indicators (MoM)	4-May	Mar			-0.09	-0.09
Gross Fixed Investment	4-May	Feb	2.5	1.2	1.3	7.3%
Remittances Total	4-May	Mar	2200	2251	2257.9	\$1839.2M
IMEF Manufacturing Index SA	4-May	Apr	51.6	51.6	51.36	51.4
Vehicle Production AMIA	6-May	Apr			283392	299809
CPI MoM	7-May	Apr	-0.25	-0.22	0.92	0.41%
CPI YoY	7-May	Apr	3.08	3.11	3.94	3.14%
Consumer Confidence Index	8-May	Apr	93.6	93.7	--	93.1
Peru						
Trade Balance	8-May	Mar	-344		--	-\$280M

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
05.07.2014	Peru Outlook (in Spanish)
05.07.2014	Chile Outlook (in Spanish)
05.07.2014	Colombia Outlook (in Spanish)
05.07.2014	Brazil: We expect another Selic hike in June
05.07.2014	Mexico: Subdued Inflation Outlook
05.06.2014	Colombia: Soaring food prices drive inflation to six-year high
05.06.2015	Chile: IMACEC located on consensus driven by services (in Spanish)
05.06.2015	Colombia: High food prices press inflation to maximum of six years (In Spanish)
04.30.2015	Chile: Imacec grew around 1.0% YoY in March
04.30.2015	Mexico: We expect no change of MPR. Economic slowdown in the spotlight

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.