

## Latam Daily| Unchanged MPR in Chile and Peru, both CBs highlight weak economic activity

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

---

*A sharp drop in retail sales in Brazil, influenced by high inflation. In Chile the neutral tone was maintained in the statement; with no changes expected in the MPR in the remainder of the year. In Peru, the CB emphasised that inflation expectations are in the target range. In Colombia retail sales and industrial production point to low economic growth in 1Q15.*

### Brazil - Retail sales declined more than expected in March

Core retail sales dropped 0.9% MoM in March, more than anticipated by both BBVA Research (-0.2% MoM) and the market consensus (-0.4% MoM). The broad indicator, which also includes vehicles and construction materials, dropped 1.6% MoM. This sharp contraction in retail sales is related to the skyrocketing inflation, to the deterioration in credit and mainly labour and the reduction in the confidence levels, amongst other factors. Taking these figures into account, core and broad retail sales declined 1.7% QoQ and 4.0% MoM respectively in 1Q15. This reinforces our view that private consumption QoQ growth will be negative, contributing to a contraction of around 0.6% QoQ of 1Q15 GDP.

### Chile - As expected the central bank keeps the policy rate on hold at 3%

The central bank kept the policy rate on hold at 3% and maintained the neutral bias, as widely expected. The communiqué highlighted an assessment of still weak economic activity, while annual inflation figures remain above the tolerance range. In this regard, we maintain our expectation that inflation will retreat to levels of around 2.9%YoY at the end of this year. In this context, our expectation does not consider any changes in the policy rate during this year (see our Chile Flash in Spanish for details)

### Peru - Monetary policy meeting: no changes in the policy rate

The central bank kept the policy rate at 3.25%. The statement accompanying the decision continued to emphasise, on the side of the activity, that the latest indicators continue to show a weak economic cycle and the output gap is negative. As for prices, the CB once again stressed that inflation expectations are within the target range and that the current level of the policy rate is consistent with a projected inflation convergence to 2% in the 2015/16 horizon. Finally, the central bank took into account the high volatility in financial and currency markets (See our Peru Flash in Spanish for details).

### Colombia - Low economic growth in the first quarter of 2015

Retail sales and Industrial Production for March augur slower growth ahead. Industrial production fell 0.1% YoY (vs. BBVAe: -0.8%), resulting in a drop of -1.9% YoY in year-to-date. The food, chemicals, plastic and iron subsectors were the main drivers. In contrast, oil refining dragged the figure down, contributing -3.0 percentage points to the quarterly figure of 1.9%. Meanwhile, retail sales grew 3.4% YoY (vs. BBVAe: 3.8%). Appliances and auto parts boosted the rate. Cars and fuel oil sales, on the other hand, had a negative impact. All in all, the results are in line with our GDP growth forecast of 2.1% YoY in 1Q15, the expected

lowest increase during 2015.

## Colombia - Consumer confidence is recovering, but the country expectations remain in negative territory

In April, consumer confidence stood at 8.2 (in a range between -100 and 100), above the March's figure (2.3). The component with the best performance was household 12-month expectations. The assessment on the country outlook also improved, but with less intensity and remains in negative territory. On the other hand, the people with the highest income registered a sharp deterioration in the level of confidence, which was offset by the medium and low income classes. All in all, consumption could continue to slow down in 2Q15, in line with our forecasts.

## What to watch today

### Peru - Gross domestic product (March, 11:30hrs NYT)

We estimate that output went up by 2.3%YoY in March. The expected rebound in primary sectors such as Mining and Fishing is beginning to materialise. On the contrary, we foresee that non-primary activities, i.e. those sectors which are more related to domestic demand, should remain weak and could have grown only slightly more than 1.5%YoY in March.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
IGP-M Inflation 1st Preview	11-May	May	0.52	--	0.51	1.03%
Retail Sales MoM	14-May	Mar	-0.4	-0.2%	-0.10	-0.1%
Formal Job Creation Total	14-May	Apr	50000	--	19282	19282
FGV Inflation IGP-10 MoM	15-May	May	0.72	--	--	1.27%
Economic Activity MoM	15-May	Mar	-0.4	-0.40%	--	0.36%
<b>Chile</b>						
Vehicle Sales Total	10-May	Apr	--	21859	23084	21469
Central Bank's Economist Survey	12-May	0	--	--		0
Central Bank's Traders Survey	13-May	0	--	--		0
Overnight Rate Target	14-May	41760	3.00	3.0%	0.03	3.00%
<b>Colombia</b>						
Retail Sales YoY	14-May	Mar	3.5	3.80%	4.30	4.3%
Industrial Production YoY	14-May	Mar	-1.00	-0.80%	-1.35	-1.3%
Consumer Confidence Index	15-May	Apr	--	0.00%	8.20	2.3
<b>Mexico</b>						
Industrial Production YoY	12-May	Mar	1.9	1.9%	1.67	1.6%
Industrial Production MoM	12-May	Mar	0.35	0.35%	-0.02	0.2%
ANTAD Same-Store Sales YoY	12-May	Apr	4.6	--	4.90	5.2%
Central Bank Monetary Policy Minutes	14-May	0	--	--		0
<b>Peru</b>						
Trade Balance	10-May	Mar	--	--	-573.0	-\$280M
Reference Rate	15-May	May	3.25	--	3.25	3.25%
Unemployment Rate	15-May	Apr	6.6	--	--	7.0%
Economic Activity YoY	15-May	Mar	2.15	--	--	0.9%

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
05.14.2015	<a href="#">Chile: Central Bank maintains the MPR at 3% for the seventh consecutive month</a>
05.14.2015	<a href="#">Peru: Central bank aims to normalize monetary conditions</a>
05.12.2015	<a href="#">Mexico: Industrial production in total pause. Had zero growth in March</a>
05.11.2015	<a href="#">Mexico: In March 2015 Mexico received USD2,257.9mn in remittances (+7.6% YoY)</a>
05.08.2015	<a href="#">Chile: CPI inflation increased 0.6% MoM in April, above expectations</a>
05.08.2015	<a href="#">Mexico: Evaluation of the effects of the EU-FTA on bilateral trade and investment</a>
05.08.2015	<a href="#">Brazil: Inflation moderates as pressure from administered prices ease</a>
05.07.2015	<a href="#">Peru Outlook (in Spanish)</a>
05.07.2015	<a href="#">Chile Outlook (in Spanish)</a>
05.07.2015	<a href="#">Colombia Outlook (in Spanish)</a>

---

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.