

Latam Daily | The slowdown in the Brazilian credit market continued in April

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In Brazil, public and private credit slowed down in April as domestic demand continued to weaken, interest rates rose and the uncertainty regarding the government's willingness to reduce the use of public credit as a counter-cyclical mechanism increased. Analysts in Chile expect a stable reference rate in a 6 month horizon.

Brazil - Credit markets deteriorated further in April

The credit stock increased by 10.5% YoY (only 2.3% YoY in real terms), the slowest pace in more than 10 years, as both public and private credit are slowing down (7.3% YoY and -3.2% YoY respectively, in real terms). This deceleration is in line with the weak evolution of domestic demand, rising interest rates (the average lending rate reached 26.4% in April, 250bp higher than a year ago), the very high degree of uncertainty concerning the country and the government's decision to reduce the use of public credit as a counter-cyclical mechanism. In this context, non-performing loans increased to 3.0% from 2.8% in the previous readings. We believe the credit market deterioration is likely to continue in the next few months, reinforcing the view that the economy in general, and private consumption in particular, will contract in quarterly terms in 2Q15 following a previous contraction in 1Q15 (GDP data for this period will be released on Friday).

Chile - No major changes in the financial traders' survey

The traders' survey showed expectations for CPI inflation at 0.3% MoM in May (BBVAe: +0.2% MoM), with no changes in the medium and long-term expectations that remained at 3% YoY for both 12 and 24-months ahead. In terms of monetary policy, results pointed to a stable reference rate at 3% in a 6-month horizon (in line with our view), while a mild 25bp increase in rates in a 12-month horizon. Finally, expectations for the exchange-rate contemplate a mild depreciation towards the end of the year, to level around CLPUSD 625.

What to watch today

Mexico - Unemployment rate (April, 9:00hrs NYT)

Given the job creation registered in April (65,117 jobs registered with the IMSS), we expect the unemployment rate to be 4.23% for that month, after 3.86% was recorded for March 2015. In seasonally-adjusted terms we predict that the unemployment rate will reach 4.28% in April, which is a little over the previous month's level of 4.24%.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	24-May	1-may	0,61%		0,68	0.65%
FGV Consumer Confidence	25-May	May	--		85,10	85.6
Current Account Balance	25-May	Apr	-\$6750M		-6901,40	-\$5736M
Outstanding Loans MoM	26-May	Apr	--		0,10	1.2%
CNI Consumer Confidence	26-May	May	--		98,70	99.0
FGV Inflation IGPM MoM	27-May	May	0,4		1,17	1.17%
Central Govt Budget Balance	27-May	Apr	13		1,46	1.5B
GDP QoQ	28-May	1Q	-0,6	-0,6	--	0.3%
Chile						
Central Bank's Traders Survey	26-May	Apr	--	--	--	0
Unemployment Rate	28-May	Apr	6,2	--	--	6.1%
Manufacturing Index YoY	28-May	Apr	-2	--	--	-2.8%
Retail Sales YoY	28-May	Apr	1,6	--	--	0.4%
Copper Production Total	28-May	Apr	--	--	--	474507
Colombia						
Urban Unemployment Rate	28-May	Apr	9,7	9,50%	--	10.1%
National Unemployment Rate	28-May	Apr	--	--	--	8.9%
Mexico						
Trade Balance	24-May	Apr	-26	-140.0M	-85,30	479.8M
Current Account Balance	24-May	1Q	-\$7091 M	--	-9445,80	-\$5310M
Retail Sales YoY	25-May	Mar	4,5	5,60%	5,50	5.6%
Retail Sales MoM	25-May	Mar	-0,2	0,50%	0,20	0.5%
Unemployment Rate SA	27-May	Apr	4,17	4,28%	4,20	4.20%
Unemployment Rate NSA	27-May	Apr	4,1	4,23%	3,86	3.86%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
05.27.2015	Chile: IPC inflation will rise at 0.2% MoM in May, below consensus
05.27.2015	Chile: Investment in non-mining tradable goods
05.26.2015	Chile: Exchange rate competitiveness (in Spanish)
05.22.2015	Colombia: BanRep keeps its monetary policy rate on hold
05.21.2015	Mexico: Annual GDP growth for 2015 was revised downwards from 3.5% to 2.5%
05.19.2015	Mexico: In February, the number of mortgages exceeds the rate of 15%
05.18.2015	Chile: GDP grew 2.4% y/y in 1Q15. We projected an IMACEC for April between 2.2% and 2.7% y/y
05.15.2015	Peru: GDP showed better performance in March due to extractive sectors
05.15.2015	Colombia: Colombian infrastructure: Where are we and where are we going?
05.14.2015	Chile: Central Bank maintains the MPR at 3% for the seventh consecutive month

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