

## Latam Daily | Downside surprise in inflation in Mexico leads us to lower our forecast

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*Headline inflation declined to 2.9% in May, an all-time low, and we believe it should remain below 3% for the rest of this year. Meanwhile, core inflation was 0.12% MoM, below our estimate (0.14%) mainly driven by a decrease in the core other goods. We lower our year-end headline inflation forecast to 2.65% from 2.75%.*

### Mexico - Annual headline inflation is at an all-time low; we lower our year-end forecast to 2.65%

Headline inflation was -0.50% MoM in May, driven by lower than expected inflation in the second half of the month (0.04% FoF). In annual terms, inflation declined to 2.88% from 3.06% in April. The downside surprise to our forecast mainly came from a larger than expected decrease in the fruit and vegetables and meat and eggs components. Core inflation was 0.12% MoM, in line with consensus expectations (BBVAe: 0.14%, consensus: 0.12%). In annual terms, core inflation edged up to 2.33% from 2.31% in the previous month. Compared to our forecast, all core components increased in line with our expectations with the exception of the core other goods component which surprised to the downside. After today's print we expect headline inflation to remain below 3.0% the rest of the year and we lower our year-end forecast to 2.65% from 2.75%. The subdued inflationary pressures are likely to result in lower core inflation than we previously expected. We now expect core inflation to close the year at 2.5% (vs. 2.6% previously). These forecasts leave room to absorb a possible pass-through and supply-shocks related pressures in the coming months (such as the possible reversal of perishable food prices) (See Mexico Flash).

## What to watch today

### Brazil - Inflation (May, 8:00hrs NYT)

We expect the IPCA to come in at 0.48% MoM in May, the lowest print in the year to date due to more favourable seasonality (a factor which should play a more benign role from June to August) and also by lower pressures from administered prices. In annual terms, we believe inflation should increase slightly to 8.19% in May.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Vehicle Production Anfavea	08-June	May	–		210,086	217,089
FGV Inflation IGP-DI MoM	09-June	May	0.34%		0.40	0.92%
IBGE Inflation IPCA MoM	10-June	May	0.57%		–	0.71%
COPOM Monetary Policy Meeting Minutes	11-June				–	--
<b>Chile</b>						
CPI YoY	08-June	May	4.0%	4.0%	4%	4.1%
CPI MoM	08-June	May	0.2%	0.2%	0.20%	0.6%
Copper Exports	08-June	May	–		\$2853,25	\$2881.9
Trade Balance	08-June	May	\$1250.0		\$981,66	\$1150.5
	05-June to	May	–		–	23084
Vehicle Sales Total	10-June		–		–	
Central Bank's Economist Survey	10-June		–		–	
Central Bank's Traders Survey	10-June		–		–	
Overnight Rate Target	11-June	1-June	3.00%		–	3.00%
<b>Colombia</b>						
Civil Works Payments (YoY)	11-June	1Q	–	-5.2%	–	4.90%
GDP YoY	12-June	1Q	2.7%	2.1%	–	3.5%
GDP QoQ	12-June	1Q	0.3%	-0.1%	–	0.7%
<b>Mexico</b>						
Vehicle Production AMIA	08-June	May	–		288,382	283,392
Bi-Weekly CPI	09-June	1-May	0.08%	0.2%	0.04%	-0.53%
Bi-Weekly Core CPI	09-June	1-May	0.09%	0.13%	0.08%	0.03%
Bi-Weekly CPI YoY	09-June	1-May	2.86%	2.98%	2.82%	2.93%
ANTAD Same-Store Sales YoY	09-June	May	–	4.7%	7.4%	4.9%
CPI MoM	09-June	May	-0.47%	-0.42%	-0.5%	-0.26%
CPI Core MoM	09-June	May	0.12%	0.14%	0.12%	0.16%
CPI YoY	09-June	May	2.91%	2.96%	2.88%	3.06%
Nominal Wages	10-June	May	–		–	4.1%
Industrial Production MoM	11-June	Apr	–		–	0.0%
Industrial Production YoY	11-June	Apr	1.2%	1.9%	–	1.7%
Formal Job Creation Total	12-June	May	–	55.7K	–	65.1K
<b>Peru</b>						
Trade Balance	09-June	Apr	–		-\$746M	-\$573M
Reference Rate	12-June	1-jun	3.25%		–	3.25%

Source: BBVA Research and Bloomberg

## Most recent Latam reports

Date	Description
06.08.2015	<a href="#">Chile: Confidence would have dragged down Chilean GDP by between 0.3%-0.6%</a>
06.08.2015	<a href="#">Chile: Inflation rises to 0.2% in May, in line with expectations</a>
06.05.2015	<a href="#">Chile: Imacec falling short of expectations and wages slowing down</a>
06.05.2015	<a href="#">Mexico: Industrial production to improve at the beginning of 2Q15</a>
06.04.2015	<a href="#">Mexico: Central Bank keeps its monetary policy unchanged at 3%</a>
06.03.2015	<a href="#">Brazil Outlook 2015</a>
06.03.2015	<a href="#">Latam Outlook 2Q15</a>
06.03.2015	<a href="#">Mexico: Yearbook of migration and remittances 2015</a>
06.03.2015	<a href="#">Chile: A dovish message consolidates in June's monetary policy report (in Spanish)</a>
06.03.2015	<a href="#">Chile: Inflation in Chile and the rest of the world, what makes us different? (in Spanish)</a>

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