

## Latam Daily | Brazil's Inflation surprises to the upside and activity to the downside

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*The IPCA-15 rose 0.99% MoM in May due to an increase in food and administered prices. Meanwhile, economic activity declined in April more than expected and we now forecast a drop in GDP of around 1% in 2Q15. In Mexico, the breakdown of 1Q15 GDP by components showed that exports of goods and services contributed the most to the growth in GDP, followed by private and public consumption.*

### Brazil - Another upward surprise in inflation

June's IPCA-15, which measures inflation from mid-May to mid-June, came in at 0.99% MoM, significantly higher than expected (BBVA: 0.60% MoM; consensus: 0.69% MoM). The main pressures came from food prices (1.21% MoM; contributing with 0.30pp to the inflation index). Moreover, administered prices continued to increase sharply (1.42% MoM), more than previously expected. In annual terms, inflation reached 8.80% YoY. Taking into account IPCA-15 figures, we revise our full-month inflation forecast for June to 8.85% YoY (0.75% MoM) and for the end of the year to 8.3% YoY (from 8.0% YoY). One of the consequences of the inflation figures released on Friday is that it increases the likelihood of another Selic adjustment at the BCB's next meeting in July.

### Brazil - Another negative surprise in economic activity

The IBC-Br, the economic activity indicator calculated by the BCB, contracted 0.8% MoM in April, more than expected (BBVA: -0.1% MoM; consensus: -0.4% MoM). This contraction follows a decline of 1.5% MoM in March and reinforces the view that Brazil is going through a recession at this moment. A labour market report released by the statistics agency on Friday also revealed a sharp deterioration at the beginning of 2Q15. Altogether, evidence available to date suggests that GDP is likely to contract around 1.0% QoQ in 2Q15 after having dropped "only" 0.2% QoQ in 1Q15.

### Mexico - 1Q15 GDP by components

The quarterly breakdown of GDP's components indicates that exports of goods and services was the component that showed the highest quarterly rate of growth (1.8%), followed by private consumption (1.2%); public sector consumption (1.1%); total fixed investment (1%); and imports (0.4%).

## What to watch today

### Brazil - External accounts (May, 9:30hrs NYT)

Both the sharp downturn in economic activity and exchange rate depreciation are likely to result in an improvement in the trade, service and income accounts, and, therefore, in the current account, whose deficit is expected to decline from 4.4% of GDP at the end of 2014 to 4.2% at the end of 2015.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Current Account Balance	22-Jun	May	--		--	-\$6901M
Foreign Direct Investment	22-Jun	May	--		--	\$5777M
FGV CPI IPC-S	23-Jun	1 June	--		--	0.0086
Federal Debt Total	23-Jun	May	--		--	\$2451B
Total Outstanding Loans	24-Jun	June	--		--	\$3061B
Central Bank Quarterly Inflation Report	24-Jun					
Unemployment Rate	25-Jun	May	0.07	6.70%	--	6.40%
FGV Consumer Confidence	25-Jun	Jun	--		--	85.1
<b>Chile</b>						
Central Bank's Traders Survey	24-Jun		--	--	--	--
Central Bank Meeting Minutes	26-Jun		--	--	--	--
PPI MoM	24-Jun	May	--	--	--	1.60%
<b>Colombia</b>						
Trade Balance	23-Jun	Apr	-\$900M	-\$ 932M	--	-\$1014.8M
Retail Confidence	23-Jun	May	--	15	--	18.1
Industrial Confidence	23-Jun	May	--	0	--	-0.1
Overnight Lending Rate	24-Jun	1-Jun	4.50%	4.50%	--	4.50%
<b>Mexico</b>						
Retail Sales YoY	22-Jun	Apr	5.20%	4.90%	--	5.50%
Retail Sales MoM	22-Jun	Apr	0.60%	0.30%	--	0.20%
Economic Activity IGAE YoY	24-Jun	Apr	2.30%	1.70%	--	2.65%
Bi-Weekly CPI	24-Jun	1-Jun	0.10%	0.10%	--	0.04%
Bi-Weekly Core CPI	24-Jun	1-Jun	0.10%	0.09%	--	0.08%
Bi-Weekly CPI YoY	24-Jun	1-Jun	2.87%	2.84%	--	2.82%
Unemployment Rate SA	26-Jun	May	4.28%		--	4.30%
Unemployment Rate NSA	26-Jun	May	4.27%		--	4.31%
Trade Balance	26-Jun	May	-45.0M	-190.0M	--	-85.3M

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
06.19.2015	<a href="#">Mexico: IGAE should improve in April due to service sector</a>
06.19.2015	<a href="#">Chile: Our monetary policy forecast is neutral</a>
06.16.2015	<a href="#">Chile: Labour market reform, still work to do</a>
06.15.2015	<a href="#">Peru: GDP accelerates in April reaching 4.3% YoY</a>
06.12.2015	<a href="#">Mexico: Inflation touches historical low and industrial activity begins slow in the 2 Q15</a>
06.12.2015	<a href="#">Colombia: GDP growth surprises on the upside</a>
06.11.2015	<a href="#">Peru: We expect the Central Bank to keep its monetary policy unchanged for the remaining of the year</a>
06.11.2015	<a href="#">Mexico: Industrial production contracts slightly</a>
06.11.2015	<a href="#">Chile: Central Bank keeps its monetary policy unchanged at 3%, as expected</a>
06.10.2015	<a href="#">Colombia: Inflation slows down in May due to a drop in food prices</a>

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