

LatAm Daily | Credit market slows down in Brazil in line with the economy

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Credit continued its downtrend in May, growing less than at the end of 2014 while NPLs remained stable. In Colombia, retail confidence improved slightly, as did industrial confidence. Moreover, imports fell in April due to an adjustment in capital goods in line with our estimate. The trade deficit stood at USD1.039 M confirming a gradual adjust in the current account.

Brazil - Public and private credit markets slow down further

Credit from public and private banks continued to decelerate in May. More precisely, public and private credit grew, respectively, by 15.2% YoY and 4.4% YoY in nominal terms in the period, less than at the end of 2014 (17.7% YoY and 5.6% YoY). In spite of the ongoing moderation in credit from public banks, their market share continues to increase and stood at 55.0% in May, the highest in many years. The credit report released yesterday by the central bank also revealed that lending rates continue to adjust upwards following the increase in the Selic rate: the average lending rate reached 27.1% in May, in comparison to 23.7% in the end of 2014 and 24.1% one year ago. After increasing from 2.8% in March to 3.0% in April, NPLs remained stable in May. All in all, credit markets continued to moderate in May, in line with the overall deceleration of the Brazilian economy.

Colombia - Business confidence showed stability

Retail confidence improved slightly (to 18.7) after four consecutive months of deterioration, boosted by 6-months' ahead expectations. The signal given by this indicator is similar to that of consumer confidence, which anticipates a slowdown in 2Q15, in line with our expectations, but of less intensity than observed in the April retail confidence data. Meanwhile, industrial confidence increased to 0.9 (from -0.1) thanks to a better performance of orders (although the latter remain at lows) and a drop in inventories. Expectations are high, although they showed a slight decline MoM. Hence, we remain optimistic on a recovery in the manufacturing sector, but it is clear that it will be slow and gradual during the second half of the year.

Colombia - Adjustment in imports improves the balance of trade

In April, imports fell 18.2% YoY. As we expected, the component with the most adjustment was capital goods, especially transportation equipment. Also, the consumption of durable goods grew below than average of imports. Finally, the lower internal demand for fuel and industrial raw materials confirms the slow industrial recovery, even corrected for lower oil prices. On the other hand, the trade deficit stood at USD1.039mn. (vs. BBVAe: -USD932), similar to the March figure. All in all, the data confirmed a gradual adjustment in the current account deficit from 2Q15.

What to watch today

Brazil - Inflation report (2Q15, 07:30hrs NYT)

In the 2Q15 Inflation Report the BCB will release its updated forecasts for inflation. The focus will be on its estimate for the end of 2016, the period the monetary authority is now focused on. If it is higher than the 4.5% target, then the monetary tightening is likely to continue ahead. Otherwise, we think the Selic will probably remain unchanged at 13.75%. In the 1Q15 Inflation Report the BCB forecast for the end of 2016 was 4.9%. In spite of higher pressure from administered prices since then, the central bank is expected to revise downwards its forecast for the period due to weaker domestic demand and the impact of a higher Selic rate.

Chile - Financial trader survey (fortnightly in June, 07:30hrs, NYT)

Results should point to monthly inflation expectations at around 0.3% for May and anchored long-term inflation expectations. Finally, expectations for policy rates should be for a prolonged pause in rates.

Mexico - IGAE (April, 09:00hrs NYT)

We expect the monthly economic activity index (IGAE) for April to grow 0.2% MoM, sa, and 1.7% YoY, sa. The main driver of the expansion will be the service sector due to the fact that in April the industrial production index registered a growth rate of -0.1% MoM, sa.

Mexico - Inflation (first half of June, 09:00hrs NYT)

For the first two weeks of June we predict a fortnightly increase of 0.10% for headline inflation, and 0.09% for the core measure. If our forecasts prove correct, in annual terms headline inflation should be 2.84% (compared to 2.82% in the previous fortnight), while core inflation should be 2.27% (compared to 2.30% previously). We still anticipate that the exchange rate pass-through to inflation will remain limited, largely because of the weakness of domestic demand and because the rise in goods inflation will continue to be offset by a good showing from the services component. We forecast that annual headline inflation will stay below 3.0% for the rest of the year, before easing to 2.65% at the close of 2015, mainly because of the favourable base effects.

Colombia - Monetary policy meeting (no set time)

We expect BanRep's Board to keep its monetary policy rate unchanged at 4.50%, in line with consensus. We expect the communiqué to maintain its neutral tone, highlighting that the recent deceleration in economic activity continues to be in line with expectations and with the terms of trade shock. We do not expect any additional measures to be taken in June's meeting.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Current Account Balance	22-Jun	May	--		-\$3366M	-\$6901M
Foreign Direct Investment	22-Jun	May	--		\$6608M	\$5777M
FGV CPI IPC-S	23-Jun	1 June	--		0.83%	0.86%
Federal Debt Total	23-Jun	May	--		\$2496B	\$2451B
Total Outstanding Loans	23-Jun	June	--		\$3081B	\$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
Chile						
Central Bank's Traders Survey	24-Jun		--	--	--	--
Central Bank Meeting Minutes	26-Jun		--	--	--	--
PPI MoM	24-Jun	May	--	--	--	1.60%
Colombia						
Trade Balance	23-Jun	Apr	-\$900M	-\$ 932M	-\$1038,9M	-\$1014.8M
Retail Confidence	23-Jun	May	--	15	18.7	18.1
Industrial Confidence	23-Jun	May	--	0	0.9	-0.1
Overnight Lending Rate	24-Jun	1-Jun	4.50%	4.50%	--	4.50%
Mexico						
Retail Sales YoY	22-Jun	Apr	5.20%	4.90%	4.6%	5.50%
Retail Sales MoM	22-Jun	Apr	0.60%	0.30%	-0.3%	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	Mexico: IGAE should improve in April due to service sector
06.19.2015	Chile: Our monetary policy forecast is neutral
06.16.2015	Chile: Labour market reform, still work to do
06.15.2015	Peru: GDP accelerates in April reaching 4.3% YoY
06.12.2015	Mexico: Inflation touches historical low and industrial activity begins slow in the 2 Q15
06.12.2015	Colombia: GDP growth surprises on the upside
06.11.2015	Peru: We expect the Central Bank to keep its monetary policy unchanged for the remaining of the year
06.11.2015	Mexico: Industrial production contracts slightly
06.11.2015	Chile: Central Bank keeps its monetary policy unchanged at 3%, as expected
06.10.2015	Colombia: Inflation slows down in May due to a drop in food prices

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