

Latam Daily | Mexico inflation in line with below Banxico's target for the rest of 2015

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Headline inflation raised slightly less than consensus due to declines in fruit and vegetable prices. As a result, YoY inflation reached its lowest level and should bottom-out in 4Q15. We maintain our year-end forecast. In Peru, the central bank kept the MPR unchanged as expected in a context of weakness in private spending and FX pressures.

Mexico - Annual headline inflation hits a fresh record low

Headline inflation rose in line with our forecast in June but slightly below market forecasts (BBVAe: 0.17%, consensus: 0.19%), pushing the annual inflation rate to the lowest level on record (2.87%). As we expected, declines in fruit and vegetable prices in the second half of the month contributed to a low monthly headline inflation print. Core prices increased 0.21% from a month earlier, in line with expectations. In annual terms, core inflation remained unchanged at 2.33%. The print supports our view that headline inflation will remain below Banxico's target for the rest of the year. We maintain our 2.65% year-end forecast for headline inflation. We expect it to bottom-out in 4Q15 as base effects contribute to a lower annual rate in the last months of the year. In contrast, core inflation seems to be beginning to gain some momentum, which suggests better economic conditions. We maintain our 2.50% year-end forecast for core inflation. Our expected path implies that core inflation probably bottomed-out in June and will accelerate somewhat in 2H15 with better economic growth. Both headline and core inflation will accelerate in Q1 16 due to base effects and this stronger growth, but we expect headline inflation to remain relatively close to target throughout 2016.

Peru - Central bank keeps the policy rate at 3.25% in July

This was a widely expected decision. Even though private spending remains weak, depreciation pressures on the local currency persist (in a context of still high credit dollarisation), and inflation has risen above the ceiling of the target range, both of which leave little room for a rate cut. This context will probably not change in the coming months. Hence, we expect the policy rate to remain at 3.25% for at least the second half of 2015. (See our Peru Flash in Spanish for details.)

What to watch today

Chile - Economist's expectations survey (July, 07:30hrs NYT)

We expect the results to reveal lower forecasts for GDP growth for both this year and next. Also, CPI inflation estimates should come in at around 0.2% MoM for July, while annual inflation forecasts for the year-end should be revised upwards. Long-term inflation expectations will remain anchored to the central bank's target of 3% YoY. Finally, results will show estimates of a stable policy rate at 3% during the rest of the year.

Mexico - Industrial production index (May, 9:00hrs NYT)

We expect May's industrial production index to show a negative rate of growth of -0.3% MoM, sa, due to the weakness that mining has been showing since the beginning of the year and to the expected poor performance of the manufacturing sector due to the decline of manufacturing exports in that month.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Vehicle Production Anfavea	6-July	Jun	--		184.015	210.086
FGV Inflation IGP-DI YoY	7-July	Jun	6,22%		6,22%	4,83%
IBGE Inflation IPCA MoM	8-July	Jun	0,85%	0,77%	0,79%	0,74%
National Unemployment Rate	9-July	May	--		8,10%	8,0%
Chile						
Economic Activity YoY	6-July	May	1,50%	1,60%	0,8%	1,70%
Economic Activity MoM	6-July	May	0,20%	0,40%	0%	0,00%
Trade Balance	7-July	Jun	\$750.0M	\$1126.0M	\$783M	\$981.7M
Nominal Wage YoY	7-July	May	--	--	6,20%	6,40%
Nominal Wage MoM	7-July	May	--	--	0,10%	-0,20%
Vehicle Sales Total	7-July - 10 July	Jun	--	--	22.632	21.184
CPI MoM	8-July	Jun	0,30%	0,40%	0,50%	0,20%
CPI YoY	8-July	Jun	4,20%	4,30%	4,40%	4,00%
Central Bank's Economist Survey	10 July				--	
Colombia						
Exports FOB	7-July	May	\$3300M	\$3,120.00	\$3359.3M	\$3212.3M
Colombia Monetary Policy Minutes	9-July				--	
Mexico						
Vehicle Production AMIA	6-July	Jun	--		306.694	288.382
CPI MoM	9-July	Jun	0,20%	0,17%	0,17%	-0,50%
CPI Core MoM	9-July	Jun	0,22%	0,20%	0,21%	0,12%
CPI YoY	9-July	Jun	2,90%	2,87%	2,87%	2,88%
Bi-Weekly CPI	9-July	Jun	0,10%	0,04%	0,03%	0,13%
Bi-Weekly Core CPI	9-July	Jun	0,10%	0,06%	0,08%	0,13%
Bi-Weekly CPI YoY	9-July	Jun	2,84%	2,88%	2,87%	2,87%
ANTAD Same-Store Sales YoY	9-July	Jun	--		5,0%	7,40%
Industrial Production YoY	10 July	May	0,50%	0,40%	--	1,10%
Industrial Production MoM	10 July	May	-0,10%	-0,30%	--	-0,10%
Peru						
Trade Balance	9-July - 10 July	May	-\$650M		--	-\$746M
Reference Rate			3,25%	3,25%	--	3,25%

Source: Bloomberg and BBVA Research

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