

LatAm Daily | COPOM signals that the Selic will remain stable, but highlights upside risks

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The minutes suggest that the tightening cycle is over, although the inflation forecast for the end of 2016 is above the target. However, a rise in the SELIC may happen if inflation expectations deviate from the target. Chile's June nominal wages grew 0.2% while real wages fell 0.3% MoM reinforcing our view on the sluggishness in the labour market and consumption.

Brazil - COPOM minutes reinforce the view that the tightening cycle is over

As expected, the minutes of last week's monetary policy meeting suggested that, even though BCB's inflation forecasts for the end of 2016 remain above 4.5% (probably close to 4.8%), the monetary tightening cycle is now over. Rather than signalling any monetary easing ahead, the document showed that the monetary authority is willing to raise the Selic rate again in the case of "significant deviations of inflation forecasts with respect to the target", which could be a consequence of a further exchange rate depreciation or additional fiscal policy slippage. Regarding the latter, the minutes stated that "the new trajectories for fiscal variables affected expectations and asset prices" and that lower primary surpluses "could contribute to create a less positive perception towards the macroeconomic environment in the medium and long term". In spite of the highlighted upside risks, we expect the COPOM to leave the Selic rate unchanged for some time (until 2Q16).

Chile - Imacec grew 2.7% YoY in June above consensus expectations

Aggregate activity increased 2.7% YoY in June (1.1% MoM sa), in line with our expectations but above those of the consensus (at 2.5%). The figure was mainly explained by an improvement in value-added of manufacturing and mining. Also, with this print, 2Q15 GDP growth reached 1.7% YoY. All in all, we reiterate our recent GDP growth forecast for 2015 at 2.2% (see both our [Chile Economic Outlook 3Q15](#) and [Chile Flash](#) in Spanish for details).

Chile - Nominal wages increased by 0.2% MoM in June

Wages increased 0.2% in June (6.3% YoY) explained by the commerce and real-estate sectors (both related to the variable component). In real terms, wages declined 0.3% MoM and YtD consolidate a 0.4% decline that will maintain a sluggish expansion in wage-mass and private consumption. All in all, these figures still support our view of labour market slack (see our [Chile Flash in Spanish](#) for details).

What to watch today

Chile - Consumer price index (July, 07:00hrs NYT)

We expect a monthly increase of 0.3% in the CPI during July (+4.5% YoY), driven by positive contributions from foodstuffs and transportation (mainly fuels) that should only be partially offset by declines in apparel.

Brazil - Inflation (July, 8:00hrs NYT)

We expect monthly inflation to reach 0.50% MoM, taking the annual figure to 9.4% YoY in July. Food and administered prices are expected to continue pushing inflation up.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	3 August	1-Jul	0.54%		0.53%	0.61%
Markit Brazil PMI Manufacturing	3 August	Jul	--		47.2	46.50
Trade Balance Monthly	3 August	Jul	\$2,300M	\$2,300M	\$2,379M	\$4,527M
Vehicle Sales Fenabrave	3 August - 5 August	Jul	--		227,621	212,535
FIPE CPI - Monthly	4 August	Jul	--		0.85%	0.47%
Industrial Production MoM	4 August	Jun	-0.70%	-0.70%	-0.30%	0.60%
CNI Capacity Utilization (SA)	4 August	Jun	--		80.10%	80.10%
COPOM Monetary Policy Meeting Minutes	6 August				--	
National Unemployment Rate	6 August	Jun	8.20%		--	8.10%
Vehicle Production Anfavea	6 August	Jul	--		--	184,015
FGV Inflation IGP-DI MoM	7 August	Jul	--		--	0.68%
IBGE Inflation IPCA MoM	7 August	Jul	--	0.6%	--	0.79%
Chile						
Economic Activity YoY	5 August	Jun	2.30%		2.69%	0.80%
CPI MoM	7 August	Jul	0.30%		--	0.50%
Trade Balance	7 August	Jul	--		--	\$783M
Colombia						
Colombian Central Bank Presents Quarterly Inflation Report	3 August				--	
Economic Activity Index SA YoY	3 August	May	--	3.5%	3.30%	3.60%
FPI Domestic MoM	4 August	Jul	--		1.14%	0.89%
Exports FOB	5 August	Jun	\$3,297.8M	\$3,272M	\$3,218M	\$3,359.3M
CPI MoM	5 August	Jul	0.07%	0.14%	0.19%	0.10%
Mexico						
Markit Mexico PM Mfg	3 August	Jul	--		52.90	52.00
Vehicle Domestic Sales AMIA	3 August - 5 August	Jul	--		111,714	106,890
Gross Fixed Investment	4 August	May	2.50%	2.50%	2.30%	5.30%
Consumer Confidence Index	6 August	Jul	94.80		--	94.70
Vehicle Production AMIA	6 August - 10 August	Jul	--		--	306,694
CPI MoM	7 August	Jul	0.16%	0.16%	--	0.17%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
08.06.2015	Colombia Economic Outlook (Presentation)
08.06.2015	Chile Economic Outlook (Presentation)
08.06.2015	Chile Economic Outlook
08.06.2015	Chile: Nominal wages increased by 0.2% MoM in June
08.06.2015	Colombia: Inflation in July surprises to the upside
08.05.2015	Colombia Economic Outlook
08.05.2015	Peru Economic Outlook
08.05.2015	Uruguay: Inflation in July
08.05.2015	Chile: Imacec grew 2.7% in June
08.03.2015	Mexico: Remittances grew 6.1% YoY in June
08.03.2015	Peru: Inflation to stand above target range for the rest of the year
08.03.2015	Chile: CLP must fall further to force agents to intervene
08.01.2015	Mexico: Peso back to 16 influenced by worse-than-expected data in the US
07.30.2015	Chile: IMACEC to grow between 2.2% and 2.7% YoY in June
07.30.2015	Mexico: Monetary policy rate on hold
07.30.2015	Mexico: Monetary policy rate on hold in July. Rate hike in September is still in the cards
07.24.2015	Chile: We expect inflation to reach 0.3% MoM (4.5% YoY) in July
07.24.2015	Mexico: Activity grows slightly: inflation and peso bottom out

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