

LatAm Daily | Chile's inflation expectations rise as currency depreciates

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Inflation expectations rose 0.4% MoM in August in line with our estimate, as traders expect the currency weakening and hovering around USDCLP 710. However, long-term expectations remained anchored to the central bank's target. Meanwhile, traders expect a 25bp increase in interest rates. Today, Mexico's trade balance should show a deficit of USD1,590mn.

Chile - Currency depreciation is pushing inflation forecasts upwards

The fortnightly traders' survey showed inflation expectations at +0.4% MoM for August (in line with our estimate) and 3.50% YoY for 12-months ahead. Long-term expectations remained anchored to the central bank's 3% YoY target, nonetheless the proportion of those surveyed that forecast inflation at above 3% over 24-months ahead increased from 35% to 43%. In terms of policy rates, traders expect a 25bp increase in both 12 and 24-months ahead reaching 3.25% and 3.50% respectively. Consistently, results revealed expectations of further currency depreciation, forecasting levels around USDCLP 710 towards the year end.

What to watch today

Mexico - Trade balance (July, 03:00hrs NYT)

We expect July's trade balance to come in at a deficit of USD1,590mn. This figure would reflect an annual decrease of 6.6% of total exports, given by a 51% YoY drop in oil exports and a 3.2% YoY fall in non-oil exports. Meanwhile, we also expect total imports to decline, but at 4.7% YoY, not enough to mitigate the contraction in exports.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	24 August	Aug 23	--	0.46%	0.27%	0.36%
FGV Consumer Confidence	25 August	Aug	--		80.6	82
National Unemployment Rate	25 August	Jun	8.20%		8.30%	8.10%
Current Account Balance	25 August	Jul	-\$6550M		-\$6162.99M	-\$2547M
Foreign Direct Investment	25 August	Jul	\$5850M		\$5993.8M	\$5398M
Total Outstanding Loans	26 August	Jul	\$3103B		\$3110B	\$3102B
Central Govt Budget Balance	27 August	Jul	--		--	-\$8.2B
CNI Consumer Confidence	27 August	Aug	--		--	97.9
FGV Inflation IGPMmM	28 August	Aug	0.75%		--	0.69%
GDP QoQ	28 August	2Q15	-1.70%	-1.40%	--	-0.20%
Primary Budget Balance	28 August	Jul	-\$6.5B		--	-\$9.3B
Nominal Budget Balance	28 August	Jul	-\$65.4B		--	-\$38.3B
Net Debt % GDP	28 August	Jul	34.60%		--	34.5%
Chile						
Central Bank's Traders Survey	26 August	--	--		--	--
Central Bank Meeting Minutes	28 August	--	--		--	--
Colombia						
Retail Confidence	24 August	Jul	--	13	18.2	20.6
Industrial Confidence	24 August	Jul	--	3	0.1	0.1
Mexico						
Bi-Weekly CPI	24 August	Aug 15	0.17%	0.15%	0.12%	0.08%
Bi-Weekly Core CPI	24 August	Aug 15	0.13%	0.13%	0.12%	0.06%
Bi-Weekly CPI YoY	24 August	Aug 15	2.69%	2.67%	2.64%	2.72%
Current Account Balance	25 August	2Q	-\$8480M		-\$7980M	-\$9446M
Trade Balance	27 August	Jul	-\$1300M	-\$1590M	--	-\$749.0M
Unemployment Rate NSA	28 August	Jul	4.75%		--	4.41%
Unemployment Rate SA	28 August	Jul	4.37%		--	4.39%
Budget Balance YTD	28 August	Jul	--		--	-\$345.0B

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
08.25.2015	Chile: And if there were a central bank intervention, what form would it take?
08.24.2015	Chile: We expect inflation to grow 0.4% MoM in August
08.21.2015	Colombia: BanRep kept rates on hold on a majority vote
08.21.2015	Mexico: Exchange rate at all-time highs
08.20.2015	Mexico: GDP growth increased in 2Q15 slightly above than expected, 2.2% annual
08.19.2015	Mexico Economic Outlook
08.18.2015	Chile: Figures in national accounts in 2Q15 confirm slower activity
08.15.2015	Peru: GDP growth surprises positively
08.15.2015	Mexico: We expect the GDP to have grown 2% YoY in 2Q15
08.14.2015	Peru: CB raises concerns around inflation
08.13.2015	Chile: CB keeps MPR at 3% and expects inflation high
08.13.2015	Chile: With little room: public expenditure growth in 2016 around 4.6%
08.13.2015	Brazil Economic Outlook (Presentation)
08.13.2015	Brazil Economic Outlook
08.09.2015	LatAm Economic Outlook (Presentation)
08.09.2015	LatAm Economic Outlook
08.06.2015	Colombia Economic Outlook (Presentation)

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