

LatAm Daily | Chilean monetary authority lowers expected GDP range to 2.0%-2.5% in 2015

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An adjustment was made to the inflation forecast for YE15 from 3.4% YoY in June to 4.6%, and more persistence in inflation is expected, reaching 3.7% YoY at the end of 2016. The tone was more hawkish, and contemplates a monetary normalization towards 1Q16.

Chile - A hawkish message in September's monetary policy report

The range expected for 2015 GDP growth was adjusted downwards from 2.25%-3.25% to 2.0%-2.5% (BBVAe: 2.2%), mainly due to both lower investment and export expectations (-1.2% and -1.7%, respectively). While for 2016, GDP is expected to expand between 2.5%-3.5% (BBVAe: 2.7%), supported by a modest recovery in domestic demand. In terms of prices, higher inflation at 4.6% YoY is forecast for the end of 2015 (from 3.4% estimated in June), while more persistence in inflation is expected, reaching a figure of 3.7% YoY towards the end of 2016. The central bank's baseline scenario also considers lower expectations for copper prices, reaching averages of USD2.55 and USD2.45 per pound in 2015 and 2016 respectively. All in all, due to the persistence of inflation above 4% YoY - mainly due to currency depreciation - and its potential negative effects regarding the credibility of the monetary policy rule, the tone was more hawkish, and contemplates monetary normalization towards 1Q16.

What to watch today

Brazil - Industrial production (July, 08:00hrs NYT)

We expect industrial production to decline around 0.3% MoM in July, after a decline in industrial GDP in 2Q15 of -4.3% YoY. The result will reinforce our view of a contraction in yearly GDP of -1.5% with a downward bias.

Brazil - Monetary policy meeting (after local markets close)

Even though last inflation figures were higher than expected, influenced by the sharp currency depreciation, we continue to think the BCB will leave the Selic rate unchanged at 14.25% for some time (at least until 2Q16).

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
GDP QoQ	28-Aug	2Q	-1.800		-1.90	-0.20%
FGV CPI IPC-S	1-Sep	Aug 31			0.22	0.27%
Trade Balance Monthly	1-Sep	Aug			2689.00	\$2379M
CNI Capacity Utilization (SA)	1-Sep	Jul			78.60	80.1%
Industrial Production MoM	2-Sep	Jul	-0.1	-0.30	--	-0.30%
Selic Rate	2-Sep	37500	14.25	14.25	--	14.25%
FIPE CPI - Monthly	3-Sep	Aug	0.55		--	0.85%
FGV Inflation IGP-DI MoM	4-Sep	Aug	0.32		--	0.58%
Chile						
Unemployment Rate	31-Aug	Jul		6.50	6.6	6.50%
Manufacturing Production YoY	31-Aug	Jul		2.50	0.72	1.70%
Retail Sales YoY	31-Aug	Jul		3.40	2.9	4.10%
Industrial Production YoY	31-Aug	Jul		--	-1.68	1.60%
Colombia						
Urban Unemployment Rate	31-Aug	Jul		9.70	9.01	9.70%
National Unemployment Rate	31-Aug	Jul			8.84	8.20%
Colombia Monetary Policy Minutes	4-Sep	--			0	--
Exports FOB	4-Sep	Jul	3290	\$3,099.00	--	\$3218.1
CPI YoY	5-Sep	Aug	4.45	4.53	--	4.46%
CPI MoM	5-Sep	Aug	0.20	0.27	--	0.19%
CPI Core YoY	5-Sep	Aug		4.09	--	3.98%
CPI Core MoM	5-Sep	Aug		0.25	--	0.32%
Mexico						
Net Outstanding Loans	31-Aug	Jul			2859.2	2832B
Remittances Total	1-Sep	Jul		2083	2231.8	\$2168.3M
IMEF Manufacturing Index SA	1-Sep	Aug			51.794	52.7
IMEF Non-Manufacturing Index SA	1-Sep	Aug			49.489	51.3
Vehicle Domestic Sales AMIA	1-Sep	Aug			--	111,714
Leading Indicators (MoM)	2-Sep	Aug			--	-0.05
Gross Fixed Investment	3-Sep	Jun	6.5	6.5	--	2.30%
Peru						
CPI YoY	1-Sep	Aug	92	3.92		3.56%
CPI MoM	1-Sep	Aug		0.26	4.04	0.45%
Consumer Confidence Index	4-Sep	Aug			0.38	92.2

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
09.02.2015	Mexico: Private sector credit increased 10.7% in July
09.01.2015	Peru: Inflation continued to accelerate in August
09.01.2015	Chile: Public expenditure increased by 8.9% in July
09.01.2015	Mexico: Remittances reached the highest growth rate of the year in July (11.7%)
08.31.2015	Chile: Transitory factors could lead the IMACEC below 2% in July
08.31.2015	Chile: Investment in non-mining exporting sectors
08.28.2015	Peru: Private expenditures maintained fragile in 2Q15
08.28.2015	Chile: MPR Minutes CB considers sorpresive option of rise in MPR
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

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