

LatAm Daily | Signs of additional contraction in activity in Brazil

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After five consecutive months of contraction in Brazil, retail sales dropped again by 1.0% MoM in July. The figures support our view that private consumption and overall economic activity will decline again in 3Q15. Tomorrow the GDP by expenditure will be released in Colombia, where we expect a slowdown in private demand and solid growth in public investment.

Brazil - Retail sales dropped again at the beginning of 3Q15

Core retail sales declined 1.0% MoM in July, following five consecutive months of contraction (the cumulative decline from January to July is 4.6%). None of the eight sectors included within the core indicator registered positive growth in July. The broad retail sales indicator increased 0.6% MoM, thanks to a rebound in vehicles sales, reversing some of the 11% contraction accumulated since the end of 2014. In spite of the increase of broad retail sales in July, which we regard as a one-off correction rather than a sign of sustainable improvement ahead, we take yesterday's retail sales figures as evidence supporting our view that both private consumption and overall economic activity will contract again in 3Q15, adding to the sharp declines observed in 1Q15 and 2Q15.

What to watch today

Colombia - GDP by expenditure (2Q15, 17:00hrs NYT)

2Q15 growth by economic activity has already been published (3% YoY). We believe the figures of GDP by expenditure should reveal a slowdown in private demand (excluding private investment in nonresidential buildings), while public investment, thanks to mining royalties, should register a solid growth.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Tax Collections	15-sep	Aug	99000.0			104868M
FGV CPI IPC-S	16-sep	1-sep	0.2		0.28	0.21%
Retail Sales MoM	16-sep	Jul	-1	-0.50%	-1	-0.40%
IGP-M Inflation 2nd Preview	17-sep	Sep	0.7			0.17%
Economic Activity MoM	17-sep	Jul	-0.3	-0.30%		-0.58%
CNI Industrial Confidence	18-sep	Sep				37.10%
Chile						
Overnight Rate Target	15-sep	Sep	3.0	3%	3	3%
Bloomberg Sept. Chile Economic Survey	17-sep	Jan		--		
Colombia						
Retail Sales YoY	15-sep	Jul	3.0	3.50%	4.48	5.12%
Industrial Production YoY	15-sep	Jul	-0.4	1.20%	0.33	1.51%
Consumer Confidence Index	15-sep	Aug		5.1	-0.4	2.60%
Trade Balance	18-sep	Jul	-916.0	-1.425		-814.4
Retail Confidence	18-sep	Aug		16.2		18.20%
Industrial Confidence	18-sep	Aug		2.5		0.10%
Mexico						
Formal Job Creation Total	14-sep	Aug		50.8	72.36	44.7K
Aggregate Supply and Demand	18-sep	2Q	3.1			3.50%
Peru						
Unemployment Rate	15-sep	Aug	6.4		6.1	6.80%
Economic Activity YoY	15-sep	Jul	3.3	3.30%	3.26	3.87%
Central Bank 3Q Inflation Report	18-sep	Jan				

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
09.16.2015	Peru: Growth in July showed a better sector balance (In Spanish)
09.16.2015	Chile: Central Bank maintains the MPR at 3% and introduces contractionary bias (In Spanish)
09.12.2015	Mexico: Financial markets are pending the decision of the Federal Reserve (In Spanish)
09.11.2015	Peru: Central Bank surprises in September by delivering a 25bp policy rate hike
09.10.2015	Colombia: The slowdown of the Colombian economy remains orderly (In Spanish)
09.10.2015	Brazil: Copom sees 2016 inflation converging to the target, but also important risks
09.10.2015	Brazil: Inflation eased in August
09.10.2015	Mexico: The 2016 budget package reduces spending and promotes savings (In Spanish)
09.08.2015	Chile: CPI inflation surprisingly increased 0.7% MoM in August
09.07.2015	Chile: July IMACEC (2.5% YoY) in line with stabilization of growth (In Spanish)
09.07.2015	Colombia: An upward surprise in food prices removes inflation from its target (In Spanish)
09.02.2015	Mexico: Private sector credit increased 10.7% in July
09.01.2015	Peru: Inflation continued to accelerate in August

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