

## LatAm Daily | Brazilian economic activity is unchanged and GDP will contract again in 3Q15

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*Economic activity in July in Brazil remained unchanged, and despite this indicator being above our forecasts, we continue to expect a contraction in GDP in 3Q15 due to political and economic issues. In Colombia the government guarantees half of the external resources with an issuance of USD1.5bn in 10 year bonds. September's IPCA-15 in Brazil will be released today.*

### Brazil - Economic activity remained stable in July

The IBC-Br, the BCB's economic activity indicator, remained broadly unchanged (-0.02% MoM) in July. Even though the figure was somewhat better than expected (BBVA: -0.30% MoM; consensus: -0.30% MoM), we continue to expect GDP to contract again in 3Q15 after having dropped 0.6% QoQ and 1.9% QoQ in 1Q15 and 2Q15, respectively, as political and economic turbulence continues. Taking into account yesterday's IBC-Br and the fact that the BCB revised downwards the June figure to -0.72% MoM from -0.58% MoM, the carry-over effect for the third quarter is now equal to 0.5% QoQ (i.e. the IBC-Br will decline 0.5% QoQ if economic activity remains unchanged in both August and September).

### Colombia - The Government issued USD1.5bn in 10 year bonds

The Colombian Government carried out an external issuance of USD1.5bn in 10 year bonds at a rate of 4.653%. The demand for the bonds amounted to USD3bn. With this issuance the government has guaranteed half of the external resources in bonds required for 2016.

### Mexico - The monetary pause continues

Banxico is keeping an eye on Fed's movements and maintained the MPR at 3%, reiterating that the main risk for price dynamics is the monetary normalisation in the US, as the output gap and inflation are below their target levels. Banxico reiterates that in spite of significant exchange rate depreciation, there are no signs of pressures on prices for the coming months, additionally eventual concerns on financial stability seem to be reduced given the absence of any abrupt movements of M bond holdings from foreigners. We consider that the monetary policy decision in Mexico will be synchronised with that of the Fed, therefore we estimate it could be December, once the federal funds rate has increased, when Banxico increases the MPR.

## What to watch today

### Brazil - IPCA-15 (September, 8:00hrs NYT)

September's IPCA-15, which measures inflation from mid-August until mid-September, is expected to come in at 0.30% MoM, in comparison to 0.43% MoM in August and 0.96% MoM on average between January and July. Even though monthly inflation will probably recede -as the process of adjustment of administered prices nears its end-, annual inflation should remain at very high levels, around 9.5% YoY.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Formal Job Creation Total	22-sep	Aug	-73600,0			-157905
Tax Collections	21-sep	Aug			93738,27	104868
IBGE Inflation IPCA-15 MoM	22-sep	Sep	0,4	0,3		0,43
FGV CPI IPC-S	23-sep	Sep	0,4			0,28
Current Account Balance	23-sep	Aug	-3200,0			-6162,99
FGV Consumer Confidence	24-sep	Sep				80,6
Unemployment Rate	24-sep	Aug	7,7	7,9		7,5
Total Outstanding Loans	25-sep	Aug				3110,762
Central Bank Quarterly Inflation Report	25-sep	Jan				
Economic Activity MoM	21-sep	Jul	-0,3	-0,3	-0,02	-0,58
<b>Chile</b>						
Central Bank's Traders Survey	23-sep	Jan				
<b>Colombia</b>						
Overnight Lending Rate	25-sep	Sep	4,5	4,5		4,5
<b>Mexico</b>						
Overnight Rate	21-sep	Sep	3,0	3	3	3
Retail Sales YoY	23-sep	Jul	4,7			5,4
Retail Sales MoM	23-sep	Jul	0,4			1,1
Economic Activity IGAE YoY	24-sep	Jul	2,2	2,2		3,1
Trade Balance	25-sep	Aug	-1677,5	-1800		-2266,9
Budget Balance YTD	25-sep	Aug				-375,44

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
09.22.2015	<a href="#">Mexico: Monetary pause continues. Banxico keeps an eye on the Fed movements</a>
09.19.2015	<a href="#">Mexico: Banxico will maintain the monetary pause to await the decision of the Fed (In Spanish)</a>
09.19.2015	<a href="#">Mexico: We estimate the monetary rate hike will be postponed until later this year</a>
09.17.2015	<a href="#">Brazil: A more negative outlook</a>
09.16.2015	<a href="#">Peru: Growth in July showed a better sector balance (In Spanish)</a>
09.16.2015	<a href="#">Chile: Central Bank maintains the MPR at 3% and introduces contractionary bias (In Spanish)</a>
09.12.2015	<a href="#">Mexico: Financial markets are pending the decision of the Federal Reserve (In Spanish)</a>
09.11.2015	<a href="#">Peru: Central Bank surprises in September by delivering a 25bp policy rate hike</a>
09.10.2015	<a href="#">Colombia: The slowdown of the Colombian economy remains orderly (In Spanish)</a>
09.10.2015	<a href="#">Brazil: Copom sees 2016 inflation converging to the target, but also important risks</a>
09.10.2015	<a href="#">Brazil: Inflation eased in August</a>
09.10.2015	<a href="#">Mexico: The 2016 budget package reduces spending and promotes savings (In Spanish)</a>
09.08.2015	<a href="#">Chile: CPI inflation surprisingly increased 0.7% MoM in August</a>

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