

LatAm Daily | Inflation recedes in Brazil, but remains at very-high levels

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Inflation in Brazil moderated in monthly terms at the beginning of September, but remained at 9.57% in annual terms. Improvements in the trade, services and income accounts have driven the current account deficit to lower levels than expected, both than the previous figure and that the deficit one year ago. Today, the BCB's credit market report will be released.

Brazil - Inflation moderated less than expected at the beginning of September

Inflation from mid-August to mid-September reached 0.39% MoM according to the IPCA-15 indicator released yesterday. The main pressures came from the transportation and housing segments. The monthly figure, which was somewhat higher than expected (BBVAe: 0.30% MoM; consensus: 0.37% MoM), reveals that monthly inflation moderated recently after having reached 0.43% MoM in the previous reading and 0.96% MoM on average in the January-July period. However, in annual terms it remained stable at 9.57% YoY. Taking yesterday's figures into consideration, we have fine-tuned our expectation for the full-month IPCA in September to 0.45% MoM / 9.40%YoY. We continue to see inflation closing the year at 9.2% YoY.

Brazil - The current account deficit continued to shrink in August

The current account deficit reached USD2.5bn in August, lower than expected (around USD3.2bn), than the previous figure (USD5.7bn) and also than the deficit observed one year ago (USD6.9bn). In the year up to August, the external deficit is 29% lower than in the same period last year. The downward correction is due to improvements in the three main current account subcomponents: the trade, services and income accounts. Available evidence suggests that the ongoing external correction is, up to now, more related to the contraction in domestic demand than to the recent exchange-rate depreciation. From a different perspective, the moderation in the external deficit is a response to the reduction of external funding: FDI and portfolio inflows have dropped 35% and 46%, respectively, in the year up to August. Looking ahead, we expect the current account deficit to reach USD66bn in 2015 (around 3.9% of GDP) in comparison to USD104bn (4.5% of GDP) in 2014.

What to watch today

Brazil - Credit markets report (August, 09:30hrs NYT)

We expect the BCB's credit markets report to show a further deterioration of credit markets, in line with the ongoing general deterioration of the Brazilian economy. Among other things, non-performing loans are expected to increase.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
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	0.39	0.43
FGV CPI IPC-S	23-sep	Sep	0.4			0.28
Current Account Balance	22-sep	Aug	-3200.0		-2487	-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
Chile						
Central Bank's Traders Survey	23-sep	Jan				
Colombia						
Overnight Lending Rate	25-sep	Sep	4.5	4.5		4.5
Mexico						
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
09.23.2015	Peru: Output growth forecast for 2016 is revised downwards because of a stronger El Niño
09.22.2015	Chile: Probability of error of monetary policy increases (In Spanish)
09.22.2015	Mexico: Monetary pause continues. Banxico keeps an eye on the Fed movements
09.19.2015	Mexico: Banxico will maintain the monetary pause to await the decision of the Fed (In Spanish)
09.19.2015	Mexico: We estimate the monetary rate hike will be postponed until later this year
09.17.2015	Brazil: A more negative outlook
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

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