

LatAm Daily | Brazilian credit growth close to zero in real terms in August

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Non-performing Brazilian loans increased again in August reaching 3.1%. In Chile, the trader's survey showed inflation expectations at 3.4% (12 months ahead). July's IGAE is expected today in Mexico. Today we will also watch the labour market report in Brazil and inflation figures in Mexico; with further deterioration in the former and a possible new low in the latter.

Brazil - A further slowdown of credit markets in August

The total credit stock expanded only 9.6% YoY in August, very close to the inflation recorded in the period (9.53% YoY), implying that the credit growth was close to zero in real terms. Brazilian financial institutions continued to adjust upwards their lending rates due to the recent monetary tightening and the higher risks embedded in the current environment, and as consequence they averaged 29% in August. Not surprisingly given the sharp deterioration in economic activity, mainly of labour markets, non-performing loans increased again in August and reached 3.1%. All in all, the credit figures released yesterday by the BCB are no surprise given Brazil's ongoing overall economic and financial deterioration.

Chile - The traders' survey is still pricing annual inflation above 3% 24 months ahead

Not many changes in the traders' survey. Results showed inflation expectations at 0.7% MoM for September (in line with our view). Although 12 months ahead inflation expectations declined slightly to 3.4% YoY, the long-term view (24 months-ahead) remained at 3.2% YoY, decoupled from the central bank's 3% YoY target. In terms of policy rates, traders remained in hawkish mode; nonetheless they still consider only a 25bp increase at three months and two more for six and 12 months ahead, reaching 3.75%. Finally, the results showed expectations of a stable USD exchange rate at levels around USDCLP 690.

What to watch today

Brazil - Labour market report (August, 08:00hrs NYT)

We expect labour markets to have deteriorated further in August, reinforcing our view that private consumption will weaken again in 3Q15. We forecast that the unemployment rate will have reached 7.9%, from 7.5% in July and 5.0% a year ago.

Mexico - Inflation (first half of September, 09:00hrs NYT)

For the first two weeks in September, we estimate a fortnightly rise of 0.23% for headline inflation and of 0.26% for core. If our predictions prove right, in annual terms headline inflation would fall to a fresh record low of 2.44%, whereas core would have edged up to 2.33% (compared to 2.31% for the previous fortnight).

Mexico - IGAE (July, 09:00hrs NYT)

We expect that July's Global Economic Activity Index (IGAE) will be growing 0.3% MoM, sa. We expect the tertiary sector (commercial and service activities) to show a 0.2% MoM sa rate of growth while the primary sector may be growing 3.2% MoM, sa. Note that in July the observed growth of the secondary sector was 0.2% MoM s.a., and that although all figures are seasonally adjusted the primary sector may show a high monthly rate due to the fact that there was significant contraction in the monthly rate of growth of this sector in June.

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		0.35	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			3132.442	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		5.8	5.4
Retail Sales MoM	23-sep	Jul	0.4		0.5	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	Mexico: Bank deposits maintain a moderate growth in July (In Spanish)
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

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