

LatAm Daily | In Mexico, IGAE grew below expectations due to the tertiary sector

Marina Conesa Martínez / Enestor Dos Santos / Hugo Perea Flores / Cecilia Posadas / Jorge Selaive Carrasco / Carlos Serrano Herrera / Juana Téllez Corredor

Possible downside risks to Mexican 2015 GDP growth. In annual terms, headline and core inflation remained stable at 2.5% and 2.3% respectively. In Brazil, the BCB is willing to leave the Selic unchanged and unemployment increased to 7.6%. Today, in Colombia BanRep will meet; although no MPR movement is expected.

Brazil - The BCB's plan is still to keep interest rates unchanged

The 3Q15 Inflation Report revealed that the BCB revised up its inflation forecasts for 2015 and 2016 (to 9.5% and 5.3% in 2015 and 2016, respectively, from 9.0% and 4.8% three months ago), mainly due to the exchange rate depreciation and a less supportive fiscal policy, and in spite of a more negative view on both external and domestic growth. Regarding the latter, the GDP forecast for 2015 was cut to -2.7%. All in all, yesterday's report showed that the BCB is willing to leave the Selic rate unchanged at 14.25% for some time. This view was reinforced by the comments made by BCB President Alexandre Tombini right after the release of the 3Q15 Inflation Report (he said that "This [leaving the Selic rate unchanged] is the strategy") and by the National Treasury announcement of a forthcoming intervention in local bond markets to reduce the volatility in the interest rate futures markets. In any case, there will be upside risks in the next few months mostly due to the ongoing deterioration of fiscal prospects and exchange rate weakness. Looking ahead, at the beginning of 2016, when the BCB will turn its focus from 2016 to 2017 (when it expects inflation to be below the 4.5% target) downward pressures on the Selic rate will probably gain momentum. For more details on our view on the 3Q15 Inflation Report, see our [Brazil Flash](#).

Brazil - The unemployment rate reached 7.6% in August

The unemployment rate of 7.6% in August is 0.1pp higher than the level recorded in the previous month and 2.6pp above the rate observed one year ago. The sharp increase in the unemployment rate follows an increase in the labour supply and a contraction in the number of employed workers. The average wage grew 0.5% MoM in real terms in comparison to the previous reading and now stands 3.5%YoY, below the level observed in August 2014. We expect the ongoing economic deceleration to continue to affect negatively labour markets going forward.

Mexico - IGAE grew (0.1% MoM sa) in July, less than expected (0.3% MoM sa).

We expected that in July the monthly rate of IGAE would be 0.3%, however the observed data came out at 0.1%. The tertiary sector registered a negative monthly rate of -0.2%. We would highlight that the tertiary sector was the main source of growth during the first half of 2015, and if this stops being the case then it is possible that the rate of growth of GDP in 2015 will be less than expected.

Mexico - Inflation remains low

Headline CPI increased above expectations in the first fortnight of September (0.32% FoF vs. BBVA Research: 0.23%) while core prices increased broadly in line with our expectations (0.27% FoF vs. BBVA Research: 0.26%). As we expected, other core goods prices registered a large increase (0.44% FoF) suggesting some FX pass-through effects while the seasonal adjustment in tuition fees drove the increase in the services component. In annual terms, both headline and core inflation remained stable at 2.5% and 2.3%, respectively.

What to watch today

Colombia - BanRep Board meeting (No set time)

We expect the central bank to keep the repo rate on hold in its September meeting, in line with consensus. It is important to note that based on the latest minutes and interviews of Board members in the local media, we anticipate a split decision; It is particularly worth highlighting that there are three discussion groups inside the Board. One group - with a relatively neutral stance - highlights the importance of assessing new information and the adjustment process of inflation and economic activity. Another group seems to be more concerned about GDP growth, displaying a clearly dovish stance. And one final group, focused on the inflation outlook and low real interest rates, explicitly suggests the need for a 25bp increase in the policy rate in order to prevent inflation expectations becoming unanchored.

Mexico - Trade balance (August, 09:00hrs NYT)

We estimate a trade balance deficit for August of USD1,800mn. This deficit is the result of an expected annual contraction in exports of 10.5% (oil exports, -49%; non-oil exports, -5.7%) while we anticipate an annual contraction of 8.3% in imports. Mexico's trade balance deficit position reflects to a greater extent the effect of the substantial decrease of the value of oil exports.

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			76.3	80.6
Unemployment Rate	24-sep	Aug	7.7	7.9	7.6	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	2	3.1
Trade Balance	25-sep	Aug	-1677.5	-1800		-2266.9
Budget Balance YTD	25-sep	Aug				-375.44

Fuente: BBVA Research

Most recent Latam reports

Date	Description
09.24.2015	Brazil: The BCB's plan is still to keep interest rates unchanged
09.24.2015	Mexico: Banking deposits moderate growth was maintained in July
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)

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.