

## LatAm Daily | Higher fuel prices to drive inflation up further in Brazil

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*Gasoline and diesel prices were unexpectedly adjusted by 6% and 4%, respectively, following the negative impact on Petrobras of a weaker exchange rate. We expect this adjustment to have a +0.25pp impact on domestic prices and therefore we revise our inflation forecast for 2015 up to 9.5%. Today, economic indicators will be released for Chile and Colombia.*

### Brazil - Fuel prices adjusted up, which adds to the pressure on inflation

Yesterday, Petrobras announced that gasoline and diesel prices will be increased by 6% and 4% respectively from today onwards. The adjustment follows the recent exchange rate depreciation, in a context where the Brazilian oil producer company faces significant financial problems (due to the contraction of oil prices in global markets and the corruption scandals of the last few months). On the one hand, the adjustment is good news for Petrobras and suggests that the government is now less willing to keep fuel prices (and administered prices in general) at artificially low levels, on the other hand, it will have a negative effect on inflation. More precisely, we expect the impact of yesterday's unexpected fuel price revision on inflation to be around +0.25pp. As a result, we have revised our forecast for inflation at the end of 2015 to 9.5% YoY.

## What to watch today

### Chile - Activity data by sector (August, 08:00hrs NYT)

We expect manufacturing output to have increased 1.2% YoY in August, while retail sales should come in at around +2.0% YoY. In this context, figures should still reflect the weakness in aggregate economic activity.

### Chile - Unemployment rate (August, 08:00hrs NYT)

We expect the jobless-rate to have increased to 6.8% in August. Job-creation should remain weak (driven by government employment), in a context of stable labour-force participation.

### Colombia - Urban unemployment rate of August will stand at 8,9%

The unemployment rate for August should stand at 8.9% (0.5 percentage points lower than a year ago). Although the figure represents a reduction of the unemployment rate compared to a year ago the reduction has slowed down compared to the previous two months.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FGV Inflation IGPM MoM	29-sep	Sep	0.80		0.95	0.28
National Unemployment Rate	29-sep	Jul	8.50		8.6	8.3
Primary Budget Balance	30-sep	Aug	-12.40			-10.019
FGV CPI IPC-S	1-oct	Sep	0.45			0.35
Trade Balance Monthly	1-oct	Sep	2450			2689
CNI Capacity Utilization (SA)	1-oct	Aug				78.6
Industrial Production MoM	2-oct	Aug	-1.60	-0.5		-1.5
CNI Consumer Confidence	2-oct	Sep				98.9
<b>Chile</b>						
Unemployment Rate	30-sep	Aug	6.70	6.8		6.6
Manufacturing Production YoY	30-sep	Aug	0.50	1.2		0.72
Retail Sales YoY	30-sep	Aug	2.40	2		2.9
Copper Production Total	30-sep	Aug				455083
Industrial Production YoY	30-sep	Aug	-0.15			-1.68
<b>Colombia</b>						
Vehicle Sales	29-sep	Aug				22192
Urban Unemployment Rate	30-sep	Aug	8.98	8.9		9.01
National Unemployment Rate	30-sep	Aug				8.84
Economic Activity Index SA YoY	1-oct	Jul	2.75	2.9		3.1
<b>Mexico</b>						
Unemployment Rate SA	28-sep	Aug	4.30		4.32	4.31
Net Outstanding Loans	30-sep	Aug				2859.2
Leading Indicators (MoM)	1-oct	Aug				-0.09
Remittances Total	1-oct	Aug	2182	2185		2231.8
IMEF Manufacturing Index SA	1-oct	Sep	51.50			51.794
IMEF Non-Manufacturing Index SA	1-oct	Sep	50			49.489
Vehicle Domestic Sales AMIA	2-oct	Sep				112038
Gross Fixed Investment	2-oct	Jul	4.50	4.4		8.6
<b>Peru</b>						
CPI YoY	1-oct	Sep	4.13			4.04
CPI MoM	1-oct	Sep	0.25			0.38

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
09.30.2015	<a href="#">Peru: Exports remained weak in August (In Spanish)</a>
09.29.2015	<a href="#">Mexico: In July, mortgage lending grew 17%</a>
09.28.2015	<a href="#">Chile: September CPI would increase 0.6% MoM (4.8% YoY) (In Spanish)</a>
09.26.2015	<a href="#">Mexico: The IGAE shows weakness at the start of the third quarter</a>
09.26.2015	<a href="#">Colombia: BanRep increased its monetary policy rate by 25bp to 4.75% (In Spanish)</a>
09.24.2015	<a href="#">Brazil: The BCB's plan is still to keep interest rates unchanged</a>
09.24.2015	<a href="#">Mexico: Banking deposits moderate growth was maintained in July</a>
09.23.2015	<a href="#">Peru: Output growth forecast for 2016 is revised downwards because of a stronger El Niño</a>
09.22.2015	<a href="#">Chile: Probability of error of monetary policy increases (In Spanish)</a>
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>

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