

## LatAm Daily | Credit markets continue to deteriorate in Brazil

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*Non-performing loans reached 3.3% in November, the highest level in more than two years, while the total credit stock continued to contract in real terms, reflecting the slowdown in both the demand for and the supply of credit.*

*This is the last edition of our Latam Daily Flash before the holidays. We will be back on 4 January. Season's Greetings and Happy New Year!*

### Brazil - NPLs increased again in November to the highest ratio since the beginning of 2013; further deterioration is likely ahead

Non-performing loans (NPLs) as a proportion of total loans reached 3.3% in November, in comparison to 3.2% in October and 2.8% in December 2014, the point at which they started to trend up. The increase in NPLs, which has been very gradual, is in line with the overall deterioration of the Brazilian economy. Even though the increase in NPLs has been across the board, it has been more pronounced in the corporate segment (2.6%, which is the highest level since at least the beginning of 2011) and within public-sector banks (2.7%, which however remains below the average NPL ratio of the private-sector banks). We expect NPLs to continue to trend upwards ahead. The total credit stock expanded by only 7.4% YoY (0.6% MoM) in November, less than the rate of inflation in the period (10.5% YoY / 1.0% MoM). This was due to a sharp slowdown in both the supply of and the demand for new loans. We expect the low dynamism in the credit markets to continue through 2016, even if the economic authorities eventually decide to take measures to try to increase the supply of credit.

### Colombia - Current account deficit is explained by the effect of the currency depreciation on GDP in dollar terms

In 3Q15, the current account deficit stood at 7.7% of GDP, the highest in the year, in line with the significant negative trade balance in the period. During the three first quarters of the year the current account deficit stood at 6.6% of GDP. The explanation for the increase in the deficit (vs. 4.7% in the accumulated figure at 3Q14) was both the currency depreciation (90% of the accumulated deficit is down to a lower dollar value of GDP) and a higher value for the current account deficit (10% of total deficit). In the coming quarters, we expect a gradual adjustment in the current account deficit, but it will be above 6.5% for full-year 2015 and 5.0% for 2016.

## What to watch for during the holidays (23 December until 31 December)

### Brazil

Today the **4Q15 Inflation Report** will be released. Inflation forecasts will be key to forecasting the monetary authority's next step. If the forecast for the end of 2016 is below 6.5% and that for the end of 2017 is around 4.5%, which we see as the most likely outcome, the Selic rate should be left unchanged at the January monetary policy meeting. If forecasts are higher, then a Selic hike would become more likely. On December 29, **fiscal data** should reveal that public sector's accounts continued to deteriorate in November. Finally, in the next few days we could have some news regarding fiscal policy following the recent appointment of Nelson Barbosa as Brazil's new Finance Minister.

### Chile

During the holidays a variety of data will be released, highlighting the **financial traders survey** results that we expect to point to inflation expectations at +0.0%/+0.1% MoM for December 2015 and anchored long-term inflation expectations, while forecasts for policy normalisation are likely to include two more 25bp hikes during the next year. We also expect **activity data by sector** to show weak figures that will support an Imacec at around 2.2% YoY for November. The **unemployment** rate should remain steady at low levels, with job-creation still driven by the support of fiscal expenditure. The **monthly fiscal report** for November should reveal an acceleration in the growth rate of government expenditures, nonetheless figures will still be characterised by the under-execution of government investments.

### Colombia

The **unemployment rate** (November) and the **monetary policy minutes** (December meeting) are the main indicators to be released between 23 December and 3 January. We expect the **unemployment rate** for November to stand at 8.9%, a 0.2pp increase with respect to last year's figure, and the fourth consecutive month since August 2015 with an annual increase in the unemployment rate, and would be in line with the slowdown in activity. Regarding the minutes, we expect additional information regarding the central bank Board's perceptions of economic activity, the dynamics of domestic demand and the convergence of inflation towards the bank's target inflation range.

### Mexico

In the last week of December the following indicators will be published: **economic activity global indicator** (October), **inflation** (1st fortnight of December), and **trade balance** (November). We expect a moderate expansion of economic activity at 2.8% YoY sa for October while inflation should reach a new all-time low of 2.1%. The trade balance will continue in deficit mainly as a result of the low oil price (BBVAe: -USD1,782mn in November).

### Peru

In Peru no relevant indicators are expected to be released from today until the end of the year.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Current Account Balance	21-Dec	Nov	-4200.0	-\$4500m	-2931.0	-\$4166m
Total Outstanding Loans	22-Dec	Nov			3176.77	3157b
FGV CPI IPC-S	23-Dec	Dec	0.94%			1.06%
FGV Consumer Confidence	23-Dec	Dec				76.70
Central Bank Quarterly Inflation Report	23-Dec					
Central Govt Budget Balance	23-Dec	Nov	-12.1			-12.3b
<b>Chile</b>						
Central Bank's Traders Survey	23-Dec					
PPI MoM	23-Dec	Nov				-0.10%
<b>Colombia</b>						
Trade Balance	21-Dec	Oct	-1346.0	-1245.0	-1595.1	-\$1419.3
<b>Mexico</b>						
Retail Sales YoY	21-Dec	Oct	5.00%		4.80%	4.90%
Economic Activity IGAE YoY	23-Dec	Oct	2.00%			3.11%
Bi-Weekly CPI	23-Dec	Dec	0.30%	0.39%		-0.06%
Trade Balance	24-Dec	Nov	-2232.0			-1443.9m
Unemployment Rate NSA	24-Dec	Nov	4.30%			4.55%

Fuente: BBVA Research

## Most recent Latam reports

Date	Description
12.22.2015	<a href="#">Chile: An optimistic central bank baseline scenario for 2016</a>
12.21.2015	<a href="#">Chile: Monetary Policy Report: the optimism persists (In Spanish)</a>
12.18.2015	<a href="#">Mexico: Monetary hike that helps the peso in the range</a>
12.18.2015	<a href="#">Colombia: BanRep increased its monetary policy rate in 25bp to 5.75%</a>
12.18.2015	<a href="#">Chile: Central bank increases the policy rate to 3.50%, surprising part of the market</a>
12.17.2015	<a href="#">Chile: 25bp hike in the MPR that we consider preventive rather than aggressive (In Spanish)</a>
12.17.2015	<a href="#">Mexico: 0.25% rise in the monetary policy rate</a>
12.16.2015	<a href="#">Mexico: We expect a 25 basis point increase in the monetary policy rate</a>
12.15.2015	<a href="#">Mexico: A successful Phase 3 of Round 1 despite low oil prices</a>
12.15.2015	<a href="#">Peru: Mining continues to support growth, but non-primary sectors decelerated (In Spanish)</a>
12.15.2015	<a href="#">Chile: We expect the MPR to hold at 3.25% at this meeting (In Spanish)</a>
12.14.2015	<a href="#">Mexico: The exchange rate reached new highs due to the collapse in oil prices (In Spanish)</a>
12.11.2015	<a href="#">Peru: High inflation expectations lead the Central Bank to taper the monetary stimulus</a>
12.10.2015	<a href="#">Colombia: The good GDP result in the third quarter will be temporary (In Spanish)</a>
12.09.2015	<a href="#">Brazil: Double-digit inflation</a>
12.07.2015	<a href="#">Chile: CPI with no monthly variation in November, while activity remain weak in October</a>
12.07.2015	<a href="#">Colombia: November inflation climbs to 6.4%</a>
12.04.2015	<a href="#">Peru: Exports fell nearly 14% yoy in October</a>
12.04.2015	<a href="#">Mexico: The expectation for December interest rate hike is reinforced</a>

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