

## LatAm Daily | Credit markets fell in Brazil and are not expected to recover in 2016

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*After a decrease of 4% in 2015, we do not expect the credit markets to recover in 2016 and the risks are related to a further increase in NPLs and a new attempt to use public banks to boost economic activity. In Chile, the trader's survey is for a more cautious MPR normalisation during 2016. Today we will see the minutes of the MP and the labor market report in Brazil.*

### Brazil - Credit markets declined around 4% in real terms in 2015

The credit stock increased only 6.6% in 2015, below both the growth rate registered in 2014 (11.3%) and 2015 inflation (10.7%). The latter means that in real terms the credit stock declined by around 4% last year. Among the segments with an above-average performance we would highlight earmarked loans (9.8% nominal growth), especially real estate loans (+15.0%), payroll credit (+8.5%) and credit to the public administration (+26.2%). Credit from public banks increased 10.9% in 2015, in comparison to the 1.6% growth in credit from private banks. As a consequence of the latter, public banks now have a 56.0% market share. Non-performing loans (NPLs) closed 2015 at 3.4% (vs. 2.7% one year ago), with a yearly average of 3.0% (the 2014 yearly average was 2.9%). The deterioration of the credit markets in 2015 was in line with the tightening of monetary policy in the period, the high increase in uncertainty, and the overall deterioration of the macroeconomic situation, amongst other things. We do not expect credit markets to recover in 2016, and at this moment, we believe the most likely scenario is that the credit stock will remain broadly stable or exhibit a small contraction in real terms. Amongst the risks for the sector, we would highlight those related to a further increase in NPLs and a new attempt to use public banks to boost economic activity.

### Chile - The trader's survey showed expectations of more cautious policy rate normalisation

The results showed inflation expectations at +0.4% MoM for January. The long-term view (24 months ahead) remained at +3.0% YoY, anchored to the central bank's target. In terms of policy rates, traders' expectations are for a pause in the normalisation process, at least until May, and a 25bp increase in six months' time to 3.75%. We interpret the latter as a more cautious view for policy rate normalisation during the year. Finally, the results showed expectations of a depreciation path for the exchange-rate from levels around USDCLP720 in the short-run towards USDCLP730 by the year end.

## What to watch today

### Brazil - Minutes of monetary policy meeting (05:30hrs NYT)

We expect the minutes of last week's monetary policy meeting to show that the COPOM is concerned with the recessive impact of the external environment which could suggest that interest rates will remain unchanged for quite some time.

### Brazil - Labour market report (December, 06:00hrs NYT)

We believe the unemployment rate could drop to 7.0% in December from 7.5% previously, entirely due to seasonal factors. Therefore, it should decline in seasonally-adjusted terms and in comparison to the rate recorded in December 2014 (4.3%). That, as well as other indicators included in the December's labour market report by IBGE, could reinforce the view that the labour market is experiencing a sharp deterioration.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Federal Debt Total	25-Jan	Dec			2793	2717b
FGV CPI IPC-S	25-Jan	Jan			1.55%	1.30%
FIPE CPI - Weekly	26-Jan	Jan			1.21%	1.02%
Current Account Balance	26-Jan	Dec			-2460	-\$2931m
FGV Consumer Confidence	27-Jan	Jan			67.9	75.2
FGV Inflation IGPM MoM	28-Jan	Jan	0.80%			0.49%
COPOM Monetary Policy Meeting Minutes	28-Jan					
Unemployment Rate	28-Jan	Dec	7.40%	7.00%		7.50%
PPI Manufacturing YoY	29-Jan	Dec				10.44%
CNI Consumer Confidence	29-Jan	Jan				96.30
Outstanding Loans MoM	27-Jan	Dec				0.60%
Central Govt Budget Balance	28-Jan	Dec				-21.3b
Primary Budget Balance	29-Jan	Dec				-19.6b
<b>Chile</b>						
Retail Sales YoY	29-Jan	Dec	3.60%	3.50%		5.50%
Manufacturing Production YoY	29-Jan	Dec	-1.00%	-1.90%		-0.20%
Unemployment Rate	29-Jan	Dec	6.00%	6.10%		6.10%
Industrial Production YoY	29-Jan	Dec				0.60%
<b>Colombia</b>						
Retail Confidence	25-Jan	Dec		15	23.5	18.7
Industrial Confidence	25-Jan	Dec		-2	1.3	-3.3
Overnight Lending Rate	29-Jan	Jan	6.00%	6.00%		5.75%
Urban Unemployment Rate	29-Jan	Dec	8.60%	8.80%		8.10%
<b>Mexico</b>						
Unemployment Rate SA	25-Jan	Dec	4.12%		4.37%	4.09%
Economic Activity IGAE YoY	25-Jan	Nov	1.85%	2.10%	2.70%	2.28%
Retail Sales YoY	26-Jan	Nov	4.70%		5.70%	4.80%
Retail Sales MoM	26-Jan	Nov	0.50%		0.50%	0.30%
ANTAD Same-Store Sales YoY	26-Jan	Dec			8.10%	6.00%
Trade Balance	27-Jan	Dec	-1092.0m		-926.51	-1568.8m
GDP NSA YoY	29-Jan	4Q	2.30%	2.40%		2.60%
GDP SA QoQ	29-Jan	4Q	0.50%			0.80%
Budget Balance YTD	30-Jan	Dec				-515.8b

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
01.26.2016	<a href="#">Peru: Trade deficit was enlarged in 2015, but we anticipate an improvement in 2016</a>
01.25.2016	<a href="#">Mexico: The IGAE grew 0.1% MoM in November 2015</a>
01.22.2016	<a href="#">Mexico: Moderate recovery of the peso at end of the week after hitting record highs</a>
01.21.2016	<a href="#">Brazil: Copom refrains from beginning a new tightening cycle</a>
01.15.2016	<a href="#">Mexico: Continuing decline in oil prices leads to the exchange rate to new highs</a>
01.15.2016	<a href="#">Peru: November growth surprised on the upside</a>
01.15.2016	<a href="#">Chile: Central bank maintained policy rate at 3.50%, in line with expectations</a>
01.15.2016	<a href="#">Peru: BCRP maintains its focus on containing inflation expectations (In Spanish)</a>
01.14.2016	<a href="#">Chile: Central Bank maintains the MPR at 3.5%, in line with expectations (In Spanish)</a>
01.08.2016	<a href="#">Mexico: Oil in lowest level since 2004 and dollar in record high</a>
01.08.2016	<a href="#">Brazil: Inflation peaked at 10.7% YoY in December</a>
01.08.2016	<a href="#">Peru: Exports continue to improve in November (In Spanish)</a>
01.08.2016	<a href="#">Chile: CPI closes 2015 with an increase of 4.4% YoY (In Spanish)</a>
01.07.2016	<a href="#">Chile: Emissions by a total of 11,000md are announced (In Spanish)</a>
01.06.2016	<a href="#">Colombia: Inflation closed 2015 at 6.8% (In Spanish)</a>
01.05.2016	<a href="#">Chile: IMACEC growth in November disappoint again (In Spanish)</a>
01.04.2016	<a href="#">Peru: Inflation surprising on the upside in December</a>
01.04.2016	<a href="#">Chile: We forecast CPI for December at 0.1% MoM (4.5% YoY) (In Spanish)</a>
01.04.2016	<a href="#">Mexico: Remittances grow 6.3% in November with a flow of 1887.9md (In Spanish)</a>
12.30.2015	<a href="#">Chile: November IMACEC would be between 2.25% and 2.75% YoY (0.2% MoM) (In Spanish)</a>

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