

LatAm Daily | In Brazil economic activity declined again in December

Enestor Dos Santos / Hugo Perea / Cecilia Posadas / Jorge Selaive / Carlos Serrano / Juana Téllez

According to the IBC-Br, activity dropped 0.5% MoM in December, reinforcing the prospect of another GDP contraction in 4Q15. In Mexico the minutes of the last MP meeting showed that the risk balance has deteriorated even though inflation expectations remained anchored. Today we expect an increase in MPR in Colombia of 25bp taking the repo rate up to 6.25%.

Brazil - BCB's economic activity indicator shows a 4.1% contraction in 2015

The IBC-Br, the BCB's economic activity indicator, which works as a monthly proxy for GDP, declined 0.5% MoM in December, somewhat more than we expected (-0.2% MoM) and slightly less than the market consensus (-0.6% MoM). In 2015, economic activity declined in eleven of the twelve months, an accumulated contraction of 4.1% over the year. We expect GDP figures, to be released a few weeks from now, to confirm a contraction of around 4.0% in economic activity in 2015. More precisely, we forecast GDP to decline 3.8%, with a -1.1% QoQ adjustment in 4Q15. As the general tone of activity remains negative at the beginning of 2016 and the external and internal drivers of the Brazilian recession remain -and should remain- significant, GDP will likely contract even more, at least during the first two quarters of this year.

Mexico - Minutes suggest that the risk balance deteriorated while inflation expectations remained anchored

They also highlighted the increased volatility of the financial markets, with lower oil prices a source of feedback from international financial volatility. While recognizing that overall inflation has been at historically low levels, it was noted that non-core inflation had risen more than expected in the first weeks of 2016. It was mentioned that inflation expectations for a medium- and long-term consolidated reduction stood at 3.3%. Most members mentioned that the biggest risk is for depreciation to persist or rise, which could contaminate inflation expectations and lead to increases in the prices of non-tradable goods.

What to watch for today

Colombia - Central Bank's monetary policy meeting

BanRep's Board will have its second monetary policy meeting for this year. We expect BanRep to increase its monetary policy rate 25bp, taking the repo rate up to 6.25% (in line with consensus). In our view, the recent dynamics of inflation and inflation expectations will be the main drivers behind this monetary policy decision. It is important to note that we expect BanRep to gradually increase its repo rate up to 7% during 1H16. Nonetheless, the reversal of the food price shock, along with lower pressure from demand, will lead the Board to reduce its repo rate to 6.50% by year-end (25bp in both November and December meetings in our central base scenario).

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Tax Collections	15-Feb al 19-Feb	Jan	--			121502m
Formal Job Creation Total	15-Feb al 19-Feb	Jan	-144416			-596208
Retail Sales MoM	16-Feb	Dec	-2.50%	-1.30%	-2.7	1.50%
FIPE CPI - Weekly	17-Feb		--			1.34%
FGV Inflation IGP-10 MoM	17-Feb	Feb	1.48%			0.69%
Economic Activity MoM	17-Feb	Dec	-0.63%	-0.20%	-0.50%	-0.52%
CNI Industrial Confidence	18-Feb	Feb	--			36.5
IGP-M Inflation 2nd Preview	19-Feb	Feb	1.25%			0.83%
National Unemployment Rate	19-Feb	Nov	--			9.00
Colombia						
Consumer Confidence Index	16-Feb	Jan	2.60%	2.00%		1.10%
Retail Sales YoY	17-Feb	Dec	0.80%	-1.00%	0.30%	-0.30%
Industrial Production YoY	17-Feb	Dec	4.10%	5.10%	3.90%	4.80%
Trade Balance	19-Feb	Dec	--	-\$1380		-\$1689.1
Overnight Lending Rate	19-Feb		6.25%	6.25%		6.00%
México						
Central Bank Monetary Policy Minutes	18-Feb					
Peru						
Unemployment Rate	15-Feb	Jan	6.40%		6.6	5.70%
Economic Activity YoY	15-Feb al 19-Feb	Dec	5.30%	5.30%	6.39	4.00%
GDP YoY	15-Feb al 19-Feb	4Q	--	4.10		2.90

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
02.18.2016	Colombia: Outlook 1Q16 - Presentation
02.17.2016	Peru: Outlook 1Q16 (In Spanish)
02.17.2016	Mexico: Monetary fiscal and exchange rate measures (In Spanish)
02.16.2016	Colombia: Outlook 1Q16, infographic (In Spanish)
02.16.2016	Colombia: Outlook 1Q16 (In Spanish)
02.16.2016	Chile: January would mark the turning point in the annual growth (In Spanish)
02.15.2016	Peru: Strong GDP growth in December, its fastest in two years
02.11.2016	Peru: CB adjust MPR again and is more energetic with expectations (In Spanish)
02.11.2016	Chile: CB mantains MPR unchanged. (In Spanish)
02.10.2016	Chile: Outlook 1Q16 (In Spanish)
02.09.2016	Colombia: Trends and Long-term Outlook for Energy Supply and Demand
02.08.2016	Chile: January's CPI grows 0.5% mom influenced by public fees and cigarettes
02.05.2016	Colombia: El Niño drives up inflation
02.05.2016	Chile: GDP grows 2% in 2015 with an Imacec above expectations (In Spanish)
02.05.2016	Brazil: Inflation surprises strongly to the upside
02.04.2016	Mexico: No change in fondeo rate. The tone turned restrictive (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.