

LatAm Daily | In Brazil, inflation eased more than expected and unemployment increased

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Brazilian IPCA-15 reached 0.43% MoM (from mid-February to mid-March); lower than expected and lower than in previous readings (1.42% MoM at the beginning of February and 0.90% MoM in the full month of February). We expect annual inflation (9.95% YoY) to go down until it reaches the target (2.5%-6.5%). Moreover, the unemployment rate increased and real wages declined.

Brazil - Inflation eased more than expected at the beginning of March

March's IPCA-15, measuring inflation from mid-February to mid-March, reached 0.43% MoM. The figure was lower than the previous readings (1.42% MoM at the beginning of February and 0.90% MoM in the full month of February). It was also lower than expected (BBVA: 0.60% MoM, consensus: 0.54% MoM). The recent moderation of inflation is largely due to less marked increases in food and administered prices. Weaker domestic demand is also helping to drive inflation down. We expect these factors to continue to play a role going forward. Therefore, annual inflation, which remains at high levels (9.95% YoY according to the IPCA-15), will likely continue to trend down until it converges to within the 2.5%-6.5% target range.

Brazil - Unemployment increases further while real wages continue to adjust downwards

The unemployment rate increased from 7.6% in January and 5.8% one year ago to 8.2% in February, broadly in line with expectations. On top of that, real wages declined 1.5% in comparison to the previous reading and 7.5% with respect to February 2015. The deterioration in the labor markets, which will likely continue over the remainder of the year, supports our view that private consumption will contract again in the first quarter of the year, contributing to maintaining economic activity in recession.

What to watch today

Chile - Monetary policy report (March, 10:00hrs NYT)

We expect a downward revision of the GDP growth-range forecast for 2016 -of at least 50 bp-, due to a more negative external outlook and domestic demand weakness. No major changes are expected in relation with CPI inflation assessment. The trend towards monetary policy normalization during 2016 should prevail as the main message of the report, but with one additional data dependent hike of 25bp in policy rates during the year.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Outstanding Loans MoM	29-mar	Feb				-0.6%
Total Outstanding Loans	29-mar	Feb				3199b
FGV Inflation IGPM MoM	30-mar	Mar	0.46			1.3%
Primary Budget Balance	30-mar	Feb	-9.4			27.9b
Chile						
Central Bank's Quarterly Report	28-mar					
Retail Sales YoY	30-mar	Feb	3.15			3.4%
Industrial Production YoY	30-mar	Feb				-8.3%
Colombia						
Retail Confidence	28-mar	Feb				19.5
Industrial Confidence	28-mar	Feb				5.3
Current Account Balance	29-mar al 31-mar	4Q				-\$5255m
Mexico						
Trade Balance	28-mar	Feb	350			-3441.0m
Economic Activity IGAE YoY	29-mar	Jan	2.5			2.6%
Unemployment Rate SA	30-mar	Feb	4.3			4.3%
Unemployment Rate NSA	30-mar	Feb	4.2			4.2%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
03.18.2016	Chile: GDP increased 2.1% in 2015 but showing weakness in 4Q15 (In Spanish)
03.18.2016	Mexico Weekly: The peso appreciates to levels close to those at the beginning of the year (In Spanish)
03.18.2016	Mexico: Fondeo is maintained at 3.75%. Cautious tone despite an environment less volatile (In Spanish)
03.18.2016	Colombia: BanRep continues tightening (In Spanish)
03.17.2016	Chile: The CB maintains the MPR at 3.5% (In Spanish)
03.17.2016	Mexico: Fondeo rate unchanged at 3.75%
03.16.2016	Chile: Labour aggregates, job search efforts and Google trends
03.16.2016	Peru: Economic activity moderated in January (In Spanish)
03.14.2016	Chile: Unemployment rate will rise in the medium term (In Spanish)
03.14.2016	Brazil: Crisis without expiration date

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