

LatAm Daily | In Chile, the CB sharply adjusts downwards GDP growth expectations

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In Chile, the CB adjusted downwards the GDP growth range expected for 2016 from 2%-3% to 1.25%-2.25%, leaving the range at 2%-3% for 2017. The CB sees an equilibrated balance of risk for economic activity. The CB expects inflation at the end of 2016 at 3.6% YoY and one 25bp increase in MPR during the year. In Colombia, the Industrial Confidence Index increased in February.

Chile - A more realistic GDP growth expectation for 2016; however, an equilibrated balance of risk that seems optimistic

In a realistic -although aggressive- move, the Central Bank's monetary policy report adjusted downwards the GDP growth range expected for 2016 -from 2.0%/3.0% to 1.25%/2.25%- , driven by both lower external and domestic demand forecasts, while revealing a 2.0%/3.0% growth range for 2017. Nonetheless, they recognize an equilibrated balance of risk for economic activity, an assessment that we view as optimistic given their novel negative valuation for labor market dynamics. In terms of prices, the Central Bank expects lower inflation at the end of 2016 -from 3.8% estimated in December to 3.6% YoY-, also with a neutral balance of risk but characterized by high exchange-rate volatility alongside a depreciative path for the CLP currency -on the back of lower terms of trade- that will offset lower inflation pressures from a widening output-gap. In this context, the Board's new baseline scenario assumes one additional 25bp increase in policy rates during the year, which will be gradual and data-dependent. All in all, the report validates our view of at most one 25bp increase in rates -to 3.75%- during the year but postpones the timing towards late 2H16 (see our [Chile Flash](#) in Spanish for details).

Colombia - Industrial confidence increased in February

According to local think-tank Fedesarrollo, the Industrial Confidence Index increased in both monthly and annual terms in February, standing at 10.4%. According to the report, the improvement in the balance of industrial orders and production expectations for the next three months were the main drivers of February's print. On the other hand, the latest industrial capacity print stood at 73,.8%. Similarly, the retail confidence index showed an increase in February, standing at 25,.4%, mostly driven by an important improvement of economic expectations over the next six months.

What to watch today

Brazil - Credit markets report (9:30hrs NYT)

The BCB's report is likely to show that credit markets continued to grow at a very timid pace - below inflation - and that default rates increased again.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Outstanding Loans MoM	29-mar	Feb				-0.006
FGV Inflation IGPM MoM	30-mar	Mar	0.46			1.3%
Primary Budget Balance	30-mar	Feb	-10.4			27.9b
Inflation Report	31-mar					
Industrial Production MoM	01-abr	Feb	-2.4	-1.5		0.40%
Trade Balance Monthly	01-abr	Mar	4307	4000		\$3043m
Chile						
Central Bank's Quarterly Report	28-mar					
Manufacturing Production YoY	30-mar	Feb	0	-1.0		-4.6%
Retail Sales YoY	30-mar	Feb	3.2	4.4		3.4%
Industrial Production YoY	30-mar	Feb	0.55			-8.3%
Unemployment Rate	31-mar	Feb	5.9	5.9		5.8%
Colombia						
Industrial Confidence	28-mar	Feb			10.4	5.3
Retail Confidence	28-mar	Feb			25.4	19.5
National Unemployment Rate	31-mar	Feb				11.9%
Urban Unemployment Rate	31-mar	Feb	12.65			14.1%
Colombia Monetary Policy Minutes	01-abr					
Economic Activity Index SA YoY	01-abr	Jan	3.1			3.7%
Mexico						
Trade Balance	28-mar	Feb			-724.68	-3441.0m
Economic Activity IGAE YoY	29-mar	Jan	2.5		2.56	2.6%
Unemployment Rate SA	30-mar	Feb	4.3			4.3%
Unemployment Rate NSA	30-mar	Feb	4.15			4.2%
Remittances Total	01-abr	Feb	1966.3			\$1932.2m
Central Bank Monetary Policy Minutes	01-abr					
Central Bank Economist Survey	01-abr					
Peru						
CPI MoM	01-abr	Mar	0.72	0.78		0.2%
CPI YoY	01-abr	Mar	4.46	4.5		4.5%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
03.28.2016	Chile: Monetary Policy Report: Unconvincing risk balance would support prolonged pause of MPR (In Spanish)
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)

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