

LatAm Daily | In Brazil, BCB sees a larger drop of GDP and higher inflation in 2016

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In Brazil, the BCB expects GDP to decline 3.5% and inflation to reach 6.6% in 2016. Moreover, it revealed that a monetary easing is not imminent. Moody's maintains the rating of Mexico but changed outlook from stable to negative. In Chile, the unemployment rate increased slightly in February and in Colombia, urban unemployment rose less than expected.

Brazil - No time (yet) for a monetary easing

In the 1Q16 Inflation Report released yesterday, the Copom revealed that in its baseline scenario inflation is expected to decline from 10.4% in February to 6.6% at the end of 2016, 4.9% at the end of 2017 and 4.5% (the inflation target) in 1Q18. These figures are higher than those released three months ago (6.2% in 2016 and 4.8% in 2017), despite the more negative prospects for economic activity (GDP forecast was cut to -3.5% from -1.9%) and greater appreciation in the exchange rate. This is mainly due to higher-than-expected inflation at the end of 2015 and at the very beginning of 2016. Moreover, the uncertainty surrounding fiscal deterioration, "non-economic events" (a reference to the ongoing political turbulence), inflation dynamics and the global environment were highlighted. Although the Copom's inflation forecasts show that the goals of keeping inflation within the 2.5%-6.5% target range in 2016 and of making it converge to 4.5% in 2017 are still not ensured, a new dose of monetary tightening is unlikely given the current economic and political circumstances. However, as explicitly stated in yesterday's report, current conditions "do not allow [the Copom] to work with the hypothesis of a monetary easing". Therefore, the most likely scenario is that the Selic rate will be left unchanged at 14.25% for some further time. In our view, Copom will only start to cut the Selic rate at the beginning of 2017 (see our [Brazil Flash](#) for more details).

Chile - Unemployment rate increased to 5.9% in February

The jobless rate increased slightly to 5.9% in February (from previous 5.8%), driven by a 1.8% YoY rise in job-creation (mainly self-employment) which compares to the 1.6% YoY growth of the labour force. Annual job-creation was driven by the dynamism in construction, commerce, and hotels and restaurants, which was partially offset by the negative contribution from mining and manufacture. Figures show that the public sector contributed less to salaried jobs at the beginning of the year (see our [Chile Flash](#) in Spanish for details).

Colombia - Urban unemployment rose less than expected

February's urban unemployment rate stood at 10.3%, a 0.4 percentage points YoY increase. February's occupation rate grew 0.7 percentage points YoY, after five months of yearly decreases in the previous quarter[FJM-S1]. A lower job creation was expected in February, in line with our growth outlook. Therefore, a higher unemployment rate was expected (12.7% consensus). Jobs were created mostly in the retail and real Estate sectors.

Mexico - Moody's changes Mexico's outlook to negative from stable; affirms A3 rating

Moody's Investors Service has today affirmed Mexico's A3 issuer and government bond ratings and changed the outlook to negative from stable. The firm attributed this reduction to the problems the country is

facing in consolidating its fiscal policy and to the lack of liquidity of its state oil company Petroleos Mexicanos (Pemex). The negative outlook offsets the strong commitment on the part of the authorities to achieving fiscal consolidation and containing liquidity pressures at PEMEX, faced with the challenges from subdued economic activity, the low oil price environment and implementation risks to the authorities' announced measures for limiting spillover effects from PEMEX into the government's balance sheet. Moody's indicated that the intention of the Mexican Government to support the oil company can undermine fiscal targets in the country.

What to watch today

Peru - Consumer prices (March, 11:00hrs NYT)

We expect headline CPI to have increased by 0.78% MoM. There have been some seasonal factors driving up the prices of educational services and those of fish and transportation (due to Easter holidays), as well as price increases in poultry and fruits. As a result, YoY inflation should stay around 4,5%, above the central bank's target (2%, +/- 1pp).

Colombia - Monetary policy minutes (March, 2:00 pm NYT)

In its past monetary policy meeting, BanRep's Board increased the repo rate 25bp up to 6,50% in a split decision. That said, March's minutes will provide valuable information to assess the Board's assessment of the inflation and economic activity outlook.

Brazil - Industrial production (February, 8:00hrs NYT)

We expect industrial output to contract by around 1.5% MoM in February after having -somewhat surprisingly- expanded 0.4% MoM in January, reinforcing the prospects for another decrease of GDP in 1Q16.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Outstanding Loans MoM	29-mar	Feb			-0,5	-0,006
FGV Inflation IGPM MoM	30-mar	Mar	0,46		0,51	1,3%
Primary Budget Balance	30-mar	Feb	-10,4		-23,04	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	1,26	-4,6%
Retail Sales YoY	30-mar	Feb	3,2	4,4	7,35	3,4%
Industrial Production YoY	30-mar	Feb	0,55		1,84	-8,3%
Unemployment Rate	31-mar	Feb	5,9	5,9	5,90	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			10,00	11,9%
Urban Unemployment Rate	31-mar	Feb	12,65		10,33	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		2,33	2,6%
Unemployment Rate SA	30-mar	Feb	4,3		4,28	4,3%
Unemployment Rate NSA	30-mar	Feb	4,15		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	0,60	0,2%
CPI YoY	01-abr	Mar	4,46	4,5	4,30	4,5%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
03.31.2016	Chile: We forecast CPI for March: 0.6% MoM (4.7% YoY)
03.31.2016	Chile: Despite significant creation of self-employment, unemployment rises to 5.9% (In Spanish)
03.31.2016	Brasil: No time (yet) for a monetary easing
03.30.2016	Chile: IMACEC in February between 2% and 2.5% (In Spanish)
03.29.2016	Mexico: Bank deposits: loses ground due to less dynamism in its two components (In Spanish)
03.29.2016	Peru: Exports fell nearly 9% YoY in February (In Spanish)
03.28.2016	Chile: CB sharply adjusts downwards GDP growth expectations (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: Fondo is maintained at 3.75%. Cautious tone despite an environment less volatile (In Spanish)

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