

LatAm Daily | Temer's government starts to define Brazil's new economic team

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

Henrique Meirelles, a former BCB governor, was appointed Minister of Finance. He is likely to focus on solving the fiscal crisis, one of the apparent priorities of the new government. Peru's CB maintained its MPR at 4.25%, and we expect it to remain at that level over the coming months. In Colombia, the minutes of its past monetary policy meeting will be released today.

Brazil - Henrique Meirelles appointed Minister of Finance

After 55 of the 81 Senate members voted in favour of admitting for analysis the impeachment case, president Rousseff stepped aside and Vice-President Michel Temer assumed his duties as acting president. Within the next 180 days the Senate will place president Rousseff on trial, and very likely confirm her impeachment, which would then be definitive. In his first speech after taking office, interim president Temer said that the main challenge of the new administration will be to put an end to the free fall of the economy. He emphasised the need to cut public expenditure, defended reducing the public sector's intervention in the economy, and declared that reforming the social security and the labour systems is essential. Also yesterday, the 23 ministers who will form part of Temer's government were announced. For the Ministry of Finance, the name of Henrique Meirelles, who was the governor of the BCB from 2003 to 2011, was confirmed. Moving forward, a new head for the monetary authority could be appointed. We expect the new administration to prioritise addressing the country's fiscal problems. However, we believe that accomplishing this goal will be challenging, among other things, because the political environment will likely remain turbulent. Nevertheless, now that the doubts concerning who will govern the country have been mostly cleared up, we see some room for uncertainty to fall somewhat from now onwards. That should contribute to the expected -slow- recovery of economic activity in the forthcoming quarters (for more details on our prospects for the Brazilian economy, see our just-released [2Q16 Brazil Economic Outlook](#)).

Colombia - Colombia moves closer to a peace deal with Farc

Colombia's government and FARC rebels agreed on a series of legal mechanisms to prevent that any peace deal agreed to at the negotiations be exposed to a change of mandate or international jurisdiction. These measures seek to avoid any legal uncertainty in the agreement once it is signed and is essential to the conclusion of the negotiations.

Peru - No change in monetary policy stance

The Central Bank maintained the policy rate in May at 4.25%. The press release suggests that this decision was supported by a more benign inflation outlook and the recovery in output growth, more in line with its potential pace. We estimate that the policy rate will remain at its current level over the coming months. [For more details see [flash in Spanish](#).]

What to watch today

Brazil - Economic activity index (March, 7:30hrs NYT)

After decreasing 0.7% MoM in January and 0.3% MoM in February, we expect the BCB's IBC-Br, which works as a monthly proxy for GDP, to show that economic activity remained broadly stable (0.0% MoM) in March. That would reinforce our view that GDP will contract in 1Q16, although not as much as in the previous quarters.

Colombia - BanRep's monetary policy minutes (2pm NYT)

The Central Bank will publish the minutes for its past April meeting. In April's meeting the CB's Board decided by majority to increase monetary policy 50bp up to 7%. That said, we believe the minutes will provide valuable information regarding the discussion inside the Board and its assessment of inflation and economic activity dynamics.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	09-may	May 07	0.66		0.64	0.49%
Retail Sales MoM	11-may	Mar	-0.6	0.0	-0.9	1.20%
Economic Activity MoM	13-may	Mar	-0.1	0.0		-0.29%
CNI Industrial Confidence	13-may	May				36.2
Chile						
Trade Balance	09-may	Apr	623		556	\$610
Copper Exports	09-may	Apr			2166.21	\$2418.6
Central Bank's Economist Survey	10-may					
Colombia						
Colombia Monetary Policy Minutes	13-may					
Mexico						
CPI MoM	09-may	Apr	-0.25	-0.23	-0.32	0.15%
CPI Core MoM	09-may	Apr	0.19	0.17	0.22	0.36%
CPI YoY	09-may	Apr	2.6	2.63	2.54	2.60%
Bi-Weekly CPI	09-may	Apr 30	0.03	0.07	-0.09	-0.34%
Bi-Weekly Core CPI	09-may	Apr 30	0.08	0.06	0.16	0.15%
Bi-Weekly CPI YoY	09-may	Apr 30	2.59	2.65	2.48	2.60%
Vehicle Exports AMIA	09-may	Apr			197020	224184
Vehicle Production AMIA	09-may	Apr			269604	266960
ANTAD Same-Store Sales YoY	10-may	Apr	7.5		10.1	5.80%
Nominal Wages	10-may	Apr			4.87	4.50%
Industrial Production NSA YoY	12-may	Mar	-0.85		-2.01	2.60%
Industrial Production SA MoM	12-may	Mar	0.1		-0.21	-0.10%
Formal Job Creation Total	11-12 may	Apr			82.6	59.4k
Peru						
Trade Balance	09-11 may	Mar	-400		-69	-\$249m
Reference Rate	12-may	May 12	4.25	4.25	4.25	4.25%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
05.13.2016	Peru: More benign inflation outlook leads the Central Bank to keep its rate on hold (In Spanish)
05.12.2016	Brazil: Brazil Economic Outlook. Second Quarter 2016
05.06.2016	Mexico: Mexico Weekly: Concerns about the global cycle influence the peso depreciation (In Spanish)
05.06.2016	Brazil: Inflation eased less than expected in April
05.06.2016	Chile: April's CPI increased by 0.3% MoM in line with consensus (In Spanish)
05.06.2016	Chile: Chile economic outlook. Second quarter 2016 (In Spanish)
05.06.2016	Colombia: Inflation recedes slightly in April on lower utilities rates
05.05.2016	Mexico: Monetary policy rate stays at 3.75%. Cautious tone as global outlook impairs (In Spanish)
05.05.2016	Bazil: Changes in the BCB board, rather than interest rate cuts, are on sight
05.05.2016	Chile: Economic activity increases in 1Q16 rises 1.8% YoY (In Spanish)

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