

## LatAm Daily | Activity in Brazil contracted in March for the 15th consecutive month

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*In Colombia BanRep's inflation survey showed inflation expectation measures steady at high levels. We expect the CB's Board to increase the MPR up to 7.5% during 2Q16. Today in Brazil the name of the new BCB governor will be announced. Also today we expect an expansion of 3.9% YoY of GDP of Peru and 4.2% YoY for industry in Colombia, both for March.*

### Brazil - Economic activity contracted in March for the 15th consecutive month

The IBC-Br indicator revealed that economic activity decreased by 0.5% MoM in March, in contrast with our forecast of stability. That was the fifteenth consecutive monthly decline in domestic activity. In Q1 2016, the IBC-Br contracted by 1.4% QoQ, reinforcing the prospect of GDP's contracting again in the period. Even though GDP will likely contract less in Q1 2016 than in the previous quarters, recent activity indicators -such as the IBC-Br- suggest that the contraction could be somewhat higher than we forecast (0.6% QoQ).

### Colombia - Central Bank minutes

The Central Bank published the minutes for its past monetary policy meeting. According to the minutes there were two discussion groups inside the Board. On one hand, the majority of the Board Members proposed a 50 bp increase in the benchmark interest rate. Some of them consider that convergence of inflation to the target is compromised, even after the effects of the transitory shocks to prices have subsided. In addition, they were concerned about excess of expenditure over income. The second group (minority) voted for 25 bp increase, and pointed out that the gradual increases of the repo rate was an appropriate strategy. It is important to note that we expect the CB's Board to increase the monetary policy rate up to 7.50% during Q2 2016.

### Colombia - BanRep's monthly inflation survey

According to BanRep's latest survey made to economic analysts, the expected inflation for May stand at 0.41% MoM. In addition, year end inflation expectations stood at 6.0%, while 12-month and 24-month ahead inflation expectations stood at 4.5% and 3.7%, respectively. It is important to note that all inflation expectations measures were relatively steady at high levels, with the exception of the 24-month ahead expectations which decreased marginally.

## What to watch today

### Brazil - Appointment of the new BCB governor

According to the new Minister of Finance Henrique Meirelles, today the name of the new BCB governor, who will replace Alexandre Tombini, will be announced. In our view, the appointment of a new head of the monetary authority will be a hawkish event, as the commitment to low inflation will likely be strengthened by the new BCB board (for more on Brazil's monetary policy, see our [Q2 2016 Brazil Economic Outlook](#)).

### Peru - GDP (March 2016, 11:30hrs NYT)

We estimate output to have increased by 3.9%YoY (consensus: 4.3%). On the one hand, this forecast considers the strength that mining production keeps showing and the recovery of public investment. On the other, it also takes into account Easter's negative statistical effect (high YoY comparison base because last year Easter was celebrated in April), the contraction in fishing and oil&gas production in March, and available indicators that point to weakness in non-primary manufacturing and private construction.

### Colombia - Industrial production and retail sales (March, 15:00hrs NYT)

We expect industrial production to have grown 4.2% YoY, a deceleration respect to previous months figures that is explained by the Holy Week (reduction of working days) However, when is corrected by this seasonal effect, the manufacturing sector would continue showing a gradual recovery in most sectors. Meanwhile, retail sales would grow 3.4% YoY constrained by lower car sales (-20% YoY). In the rest of the sales groups, we anticipate a more gradual slowdown in line with the labour market deterioration.

## Calendar indicators

|                                      | Date      | Period | Consensus | BBVAe   | Actual | Prior     |
|--------------------------------------|-----------|--------|-----------|---------|--------|-----------|
| <b>Brazil</b>                        |           |        |           |         |        |           |
| FGV CPI IPC-S                        | 16-may    | may-15 |           |         |        | 0.64%     |
| FGV Inflation IGP-10 MoM             | 16-may    | May    |           |         |        | 0.40%     |
| Tax Collections                      | 16-23 may | Apr    |           |         |        | 95779m    |
| Formal Job Creation Total            | 16-20 may | Apr    |           |         |        | -118776   |
| FIPE CPI - Weekly                    | 18-may    | may-15 |           |         |        | 0.38%     |
| IGP-M Inflation 2nd Preview          | 18-may    | May    |           |         |        | 0.30%     |
| IBGE Inflation IPCA-15 MoM           | 20-may    | May    | 0.74      | 0.55    |        | 0.51%     |
| <b>Chile</b>                         |           |        |           |         |        |           |
| Overnight Rate Target                | 17-may    | may-17 | 3.5       |         |        | 3.50%     |
| GDP QoQ                              | 18-may    | 1Q     |           |         |        | 0.10%     |
| GDP YoY                              | 18-may    | 1Q     | 1.8       |         |        | 1.30%     |
| Current Account Balance              | 18-may    | 1Q     |           |         |        | -2080     |
| <b>Colombia</b>                      |           |        |           |         |        |           |
| Retail Sales YoY                     | 16-may    | Mar    | 3.4       | 3.4     |        | 4.60%     |
| Industrial Production YoY            | 16-may    | Mar    | 6.6       | 4.2     |        | 8.20%     |
| Consumer Confidence Index            | 17-may    | Apr    | -13.8     | -12     |        | -20.1     |
| Trade Balance                        | 19-may    | Mar    |           | -\$1009 |        | -\$1001.9 |
| <b>Mexico</b>                        |           |        |           |         |        |           |
| Central Bank Monetary Policy Minutes | 19-may    |        |           |         |        |           |
| GDP NSA YoY                          | 20-may    | 1Q F   |           |         |        | 2.70%     |
| GDP SA QoQ                           | 20-may    | 1Q F   | 0.70%     | 0.80%   |        | 0.80%     |
| Economic Activity IGAE YoY           | 20-may    | Mar    | 1.40%     | 2.50%   |        | 4.11%     |
| GDP Nominal YoY                      | 20-may    | 1Q     |           |         |        | 4.90%     |
| <b>Peru</b>                          |           |        |           |         |        |           |
| Economic Activity YoY                | 16-may    | Mar    | 4.3       | 3.9     |        | 6.00%     |
| Unemployment Rate                    | 16-may    | Apr    |           |         |        | 7.20%     |
| Bloomberg May Peru Economic Survey   | 19-may    |        |           |         |        |           |
| GDP YoY                              | 20-may    | 1Q     | 4.5       | 4.4     |        | 4.70%     |

Source: Bloomberg and BBVA Research

## Most recent Latam reports

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

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