

LatAm Daily | In Brazil, a new BCB governor was appointed by the new administration

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Ilan Goldfajn was appointed to replace Alexandre Tombini as head of the monetary authority. We believe that under the new governor the BCB will strengthen its commitment to low inflation. In Chile, the CB kept MPR at 3.5%, as expected. The pace of adjustment will be data-dependent over inflation. We expect neutral bias for rates in the coming months.

Brazil - Ilan Goldfajn was appointed as the new BCB governor

The new Minister of Finance, Henrique Meirelles, yesterday appointed Ilan Goldfajn to be the new head of the Central Bank of Brazil (BCB). The economist, who was Itau's chief-economist in previous years and a member of the BCB board between 2000 and 2003, will now have to be approved by the Senate before assuming his duties as the new head of the monetary authority. In our view, the most likely scenario is that the new BCB board (besides the replacement of Alexandre Tombini by Ilan Goldfajn, other changes in the leadership of the institution could be announced in forthcoming weeks) will decide to keep the Selic rate unchanged in the next few months, rather than start a new monetary easing cycle, as a way of strengthening its commitment to low inflation. In addition to the announcement of the new BCB governor, Meirelles also announced the names of other members of his economic team. Moreover, he has already revealed that fighting the fiscal crisis will be one of his main goals. In particular, he has been stressing the importance of reforming the social security system and cutting public expenditure. All in all, the announcements of the new administration, which we regard as positive, are in line with our expectations. However, we think that the political environment will remain turbulent, with uncertainty surrounding the approval by Congress of the main economic measures proposed by the new government (for more on this issue, see our [2Q16 Brazil Economic Outlook](#)).

Chile - Central bank kept policy rate at 3.5% as widely expected

The communiqué stressed that the pace of future adjustment will be data-dependent, mainly over inflation figures; nonetheless, it maintained the tone for gradual monetary normalisation. Domestically, the Board stressed that economic activity is expanding slowly -despite the positive surprise in 1Q16 GDP growth- while annual inflation remains above 4% YoY. Once again, they also acknowledged lower dynamism in the labour market, reflected in a slowdown of salaried job-creation. Finally, on the external front, the communiqué reinforces concerns over external risks, in a context of stable but low growth perspectives added to the recent decline in copper prices. Overall, with the information at hand, we expect that the Board is paving the way to validate a neutral bias for policy rates in coming months (see our [Chile Flash](#) in Spanish for details).

Colombia - Consumer confidence in negative territory, again

In April, consumer confidence stood at -13.0 in a range between -100 and 100 (BBVAe: -12, Consensus: -15), slightly above March's print (-20.1), but still in negative territory. The latest survey showed an improvement in questions regarding the assessment of both household and country conditions. However, there is high uncertainty concerning the country performance (-32.5) that continues to limit the recovery of the total confidence indicator. All in all, the result anticipates slow moderation in private consumption, which was partially already observed in March's retail sales.

What to watch today

Chile - National accounts (1Q16, 8:30hrs NYT)

We expect GDP growth to have reached +1.8% YoY in 1Q16 (+1.0% QoQ sa), nonetheless showing weakness in domestic demand. Current account figures should produce a mild deficit of around USD 200mn in the quarter.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	16-may	may-15			0.67	0.64%
FGV Inflation IGP-10 MoM	16-may	May			0.6	0.4%
Tax Collections	16-23 may	Apr	112800		95778.54	95779m
Formal Job Creation Total	16-20 may	Apr	-53950		-118776	-118776
FIPE CPI - Weekly	18-may	may-15	0.4		0.41	0.38%
IGP-M Inflation 2nd Preview	18-may	May	0.68			0.3%
IBGE Inflation IPCA-15 MoM	20-may	May	0.76	0.55		0.51%
Chile						
Overnight Rate Target	17-may	may-17	3.5	3.5%	3.5	3.5%
GDP QoQ	18-may	1Q	1.18	1.0%	0.08	0.1%
GDP YoY	18-may	1Q	1.8	1.8%		1.3%
Current Account Balance	18-may	1Q	-34.9	-\$200		-2080
Colombia						
Retail Sales YoY	16-may	Mar	3.4	3.4	-2.87	4.6%
Industrial Production YoY	16-may	Mar	6.6	4.2	1.35	8.2%
Consumer Confidence Index	17-may	Apr	-15	-12	-13	-20.1
Trade Balance	19-may	Mar	-1040.05	-\$1009		-\$1001.9
Mexico						
Central Bank Monetary Policy Minutes	19-may					
GDP NSA YoY	20-may	1Q F	2.6			2.7%
GDP SA QoQ	20-may	1Q F	0.7	0.8%		0.8%
Economic Activity IGAE YoY	20-may	Mar	1.2	2.5%		4.11%
GDP Nominal YoY	20-may	1Q	5			4.9%
Peru						
Economic Activity YoY	16-may	Mar	4.3	3.9	3.72	6.0%
Unemployment Rate	16-may	Apr				7.2%
Bloomberg May Peru Economic Survey	19-may					
GDP YoY	20-may	1Q	4.5	4.4		4.7%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
05.18.2016	Chile: MPR unchanged and bias: June's IPoM will open up room for neutrality (In Spanish)
05.16.2016	Peru: Mining and public investment continued to support economic growth in March (In Spanish)
05.13.2016	Mexico Weekly: Dollar strengthened due to higher than expected economic data in the US (In Spanish)
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

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