

LatAm Daily | Lower inflation in Brazil at the start of June

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Thanks to less pronounced adjustments in food and regulated prices, as well as to the impact of the contraction of domestic demand, inflation dropped to 8.98% at the start of June. This reinforces our view that price pressures will ease during 2H16. Moreover, today in Colombia we expect BanRep's Board to increase its MPR by 25bps, taking the repo rate to 7.5%.

Brazil - Inflation eased more than expected at the beginning of June

June's IPCA-15, which measures inflation from mid-May till mid-June, reached 0.40% MoM, lower than expected (BBVA: 0.55% MoM; consensus: 0.51% MoM) and well-below May's IPCA-15 (0.86% MoM). A moderation in clothing, transport, education, communication and, mainly, food inflation, was behind the deceleration of inflation at the beginning of June. Annual inflation declined to 8.98% YoY from 9.62% YoY. Yesterday's figures reinforce our view that inflation will continue to trend downwards moving forward after **having remained broadly unchanged in May due to higher-than-expected pressures from food and regulated prices**. Despite the downward surprise in June's IPCA-15, we maintain our forecast for June's full-month inflation at 8.79% YoY / 0.30% MoM

What to watch today

Colombia - Monetary policy meeting (No set time)

We expect BanRep's Board to increase its monetary policy rate 25bp, taking the repo rate to 7.5% in line with consensus. According to the latest minutes, during the last monetary policy meeting the majority of the Board's members voted for a 25bp increase. It is important to note that in our central scenario we anticipate that the 7.5% repo rate level will be maintained for the rest of the year.

Calendar indicators

| | Date | Period | Consensus | BBVAe | Actual | Prior |
|-------------------------------|--------|--------|-----------|-------|---------|-----------|
| Brazil | | | | | | |
| Trade Balance Weekly | 20-jun | jun-19 | | | 974 | \$561m |
| IBGE Inflation IPCA-15 MoM | 21-jun | Jun | 0.51 | 0.55 | 0.4 | 0.86% |
| FGV CPI IPC-S | 23-jun | jun-22 | 0.38 | | | 0.45% |
| FIPE CPI - Weekly | 24-jun | jun-22 | | | | -- |
| Current Account Balance | 24-jun | May | 2000 | | | \$412m |
| Chile | | | | | | |
| Central Bank's Traders Survey | 22-jun | | | | | |
| Colombia | | | | | | |
| Trade Balance | 20-jun | Apr | -1000 | | -1117.5 | -\$1116.9 |
| Overnight Lending Rate | 22-jun | jun-22 | 7.5 | | | 7.25% |
| Retail Confidence | 23-jun | May | | | | 26 |
| Industrial Confidence | 23-jun | May | | | | 5.9 |
| Mexico | | | | | | |
| Aggregate Supply and Demand | 20-jun | 1Q | 2.5 | | 2.5 | 2.40% |
| Economic Activity IGAE YoY | 23-jun | Apr | 3.4 | | | 1.18% |
| Bi-Weekly CPI | 23-jun | jun-15 | 0.1 | 0.10% | | 0.17% |
| Bi-Weekly Core CPI | 23-jun | jun-15 | 0.14 | 0.14% | | 0.11% |
| Bi-Weekly CPI YoY | 23-jun | jun-15 | 2.63 | 2.63% | | 2.66% |
| Retail Sales MoM | 24-jun | Apr | -0.6 | | | 3.00% |
| Retail Sales YoY | 24-jun | Apr | 8.5 | | | 6.40% |

Source: Bloomberg and BBVA Research

Most recent Latam reports

| Date | Description |
|------------|--|
| 06.17.2016 | Chile: Central bank kept policy rate at 3.5% and modifies the restrictive tone (In Spanish) |
| 06.16.2016 | Brazil: Still no room for a monetary easing |
| 06.15.2016 | Peru: April's growth the lowest result so far this year and surprised to the downside (In Spanish) |
| 06.14.2016 | Inflation persistence in Latin America |
| 06.10.2016 | Mexico Weekly: New episode of peso adjustment resulting from proximity of the Fed meeting (In Spanish) |
| 06.10.2016 | Peru: The Central Bank maintains rates in 4.25% in a context of decrease of inflation (In Spanish) |
| 06.09.2016 | Colombia: Where are we in Financial Inclusion? (In Spanish) |
| 06.08.2016 | Brazil: Inflation stopped falling in May but will continue to trend down going forward |
| 06.08.2016 | Chile: May's CPI (0.2% MoM) shows a inflation slowdown higher than expected (In Spanish) |
| 06.07.2016 | Colombia: Inflation accelerates in May in line with expectations |

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