

Latam | Inflation in Brazil and Chile surprises to the upside

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Monetary policy minutes in Colombia were in line with a pause in next meeting; the board accepts a temporary inflation deviation from the target rate although expectations remained anchored. Meanwhile in Mexico consumer confidence rose in February for the first time since November.

Brazil – Inflation reached its highest level in ten years in February

After moving above 7.0% in January, inflation reached 7.7% in February, the highest level since May 2005. The figure was also higher than expected (BBVA: 7.5%; consensus: 7.5%). The impact of the fiscal policy tightening on inflation, through both hikes in administered prices and higher taxes, has been greater than we expected. In addition, the exchange rate depreciation is somewhat stronger than we anticipated. Taking these factors into consideration, we raise our 2015 inflation forecasts. We now expect inflation to reach 7.8% in March, to oscillate around 7.5% for some months and then to close the year at 6.9% (for more details see our Brazil Flash).

Chile – Once again CPI was above expectations in February

CPI increased 0.4% MoM in February (+4.4% YoY), above both our expectations and those of the market (at 0.2% MoM). Nonetheless, the measure that excludes foods and energy increased only 0.26% MoM. The print was driven by positive contributions from housing and utilities, mainly electricity tariffs and rentals, that were only partially compensated by foodstuffs and transportation (basically fuels). An increased diffusion of prices was observed, with 65% of the basket showing price increases, the highest rate in the last 10 years for this month. Whereas the latter, was a consequence of second-round effects of past inflation, and was to a certain extent due to exchange-rate depreciation (in the case of automobiles). All in all, we do not expect any changes in policy rates in March (see our Chile Flash in Spanish, for details).

Colombia – Monetary policy minutes signal a pause for BanRep's next meeting

BanRep released its February's monetary policy minutes on Friday. According to the communiqué, Banrep's board expects GDP growth to adjust to the challenging external outlook. In addition, the board mentioned that headline inflation could temporarily deviate from the target range. Regarding inflation expectations, the minutes highlighted that despite the recent performance of inflation, expectations remain anchored. Some members of the board, pointed out that part of the recent terms of trade shock could be permanent, and that an accommodative monetary policy should not be used in such circumstances. One board member said that the GDP gap will enter into negative terrain this year, and that the monetary policy rate should stay on hold at least for the rest of 2015. Finally, the central bank's board mentioned that if private consumption and investment display an over-reaction to the new potential growth of the economy, the board would be open to using countercyclical monetary policy. In our view, the central bank will stay on hold at its next meeting.

Mexico – Consumer confidence rises for the first time since November 2014

The consumer confidence index (CCI) increased from 91.8 points in January to 92.7 points in February, a monthly growth of 0.9%, seasonally adjusted. However, of the five components that make up the index, three showed reduction. In the original series, the ICC reached 90.3 points, below the market's expectations (BBVAe: 91.3 pts.; consensus: 91.1 pts).

What to watch today

Chile – Trade balance (February, 06:30hrs NYT)

We expect the February trade balance to show a surplus of USD1.200mn, driven mainly by strong declines in imports (due to lower prices of oil) that should compensate for poor YoY figures in exports (mainly in mining).

Mexico – Inflation (February, 09:00hrs NYT)

We anticipate a 0.20% MoM increase for headline inflation and a 0.37% MoM increase for core inflation in February. If our forecasts materialise, in annual terms headline inflation would decline to 3.01% (compared to 3.07% in January), whereas core inflation would increase to 2.43% (from 2.34% in January). By the end of the year, we continue to forecast that headline inflation will come in at 2.9%, with core inflation closing out 2015 at 2.8%.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	9-Mar	Mar-12	1.16	-	-	0.97%
COPOM Monetary Policy Meeting Minutes	12-Mar	Jan-04	--	-	-	
Retail Sales MoM	13-Mar	Jan	-0.5	-	-	-2.60%
Chile						
Vehicle Sales Total	9-Mar	Feb	--	-	-	23891
Trade Balance	9-Mar	Feb	1300	\$1,208.00	-	\$1,376.00
Copper Exports	9-Mar	Feb	--	\$2,975.00	-	\$2,870.00
Colombia						
Retail Sales YoY	13-Mar	Jan	7.9	-	-	9.60%
Industrial Production YoY	13-Mar	Jan	1.2	-	-	2.10%
Consumer Confidence Index	13-Mar	Feb	17.1	-	-	17.9
Vehicle Sales	13-Mar	Feb	--	-	-	-
Mexico						
CPI MoM	9-Mar	Feb	0.22	0.20%	-	-0.1%
CPI Core MoM	9-Mar	Feb	0.37	0.37%	-	0.0%
CPI YoY	9-Mar	Feb	3.03	3.01%	-	3.1%
Vehicle Production AMIA	9-Mar	Feb	--	-	-	266424
Vehicle Exports AMIA	9-Mar	Feb	--	-	-	204907
ANTAD Same-Store Sales YoY	10-Mar	Feb	5.1	-	-	5.50%
Formal Job Creation Total	12-Mar	Feb	129.85	117.6K	-	59.8K
Industrial Production YoY	13-Mar	Jan	2.1	3.31	-	3.00%
Industrial Production MoM	13-Mar	Jan	0.35	0.53	-	-0.30%
Peru						
Trade Balance	10-Mar	Jan	-500	-	-	\$121M
Reference Rate	13-Mar	Mar	3.25	-	-	3.25%
Unemployment Rate	13-Mar	Feb	7	-	-	6.40%
Economic Activity YoY	13-Mar	Jan	1.7	-	-	0.50%

Most recent Latam reports

Date	Description
03.06.2015	Chile:Once again CPI inflation above expectations in February
03.06.2015	Colombia:Monthly inflation in February stood at 1.15%, taking the annual print up to 4.36%.
03.05.2015	Chile: Imacec at 2.7% YoY support additional upwards revision in GDP growth expectations of market consensus
03.05.2015	Mexico:Remittances fell in January (-0.7% YoY) after 17 consecutive months of growth
03.05.2015	Brazil Flash: Another 50bp adjustment of the SELIC rate
02.27.2015	Mexico Weekly:All eyes on consumer and producer confidence as indicators of economic performance in the first quarter
02.23.2015	Mexico Weekly Flash:The quarterly GDP growth in the fourth quarter of 2014 was 0.7% (In Spanish)
02.16.2015	Peru Flash:There was no economic recovery at the end of last year...
02.12.2015	Peru Flash: Key rate on hold in February, with no major news in the communiqué that accompanied the decision
02.12.2015	Perú Flash: Monetary pause in February (In Spanish)

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