

Latam Daily | In Brazil industrial output contracted for the third consecutive month

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Industrial production figures point to a larger contraction in 2Q15 GDP than in 1Q15. Today we will be waiting for the monetary policy meeting in Brazil where we expect the COPOM to deliver another 50bp hike, taking the Selic rate to 13.75%.

Brazil - Industrial production contracted 1.2% MoM in April

In line with expectations, industrial output declined 1.2% MoM in the first month of the second quarter. This contraction follows the decline in the two previous months (-0.7% MoM in March and -1.4% MoM in February). The drop in production was widespread among sectors/categories, but was especially sharp in the vehicles sector (-2.5% MoM) and in the capital goods category (-5.1% MoM). These figures suggest that GDP contraction is likely to be larger in 2Q15 than in 1Q15 (-0.2% QoQ). Looking forward, a recovery in economic activity in the second half of the year will depend on the government's ability to increase confidence in the country through a successful adjustment of economic policy.

What to watch today

Brazil - Monetary policy meeting (June, around 19:30hrs NYT)

We expect the COPOM to deliver another 50bp hike, taking the Selic rate to 13.75%. The communiqué of the decision will be important to assess whether the monetary tightening will continue ahead or not. Even though we expect today's hike to be the final one, the monetary authority could surprise again by signaling that it is willing to do more to take 2016 inflation down to 4.5% (at the expense of driving economic activity even lower).

Chile - Monetary policy report (June, 10:00hrs NYT)

No major changes are expected in the Monetary Policy Report with respect to March. The range expected for 2015 GDP growth will probably be adjusted downward by 25bp (mainly due to lower investment expectations), while a less inflationary view for the year is also likely. In this context, we expect the hawkish tone as regards rates towards the end of the year contained in the March report to be moderated, consolidating our view of a stable policy rate for the rest of the year.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	01-June	31-May	--		0.72%	0.68%
Trade Balance Monthly	01-June	May	--	\$2,500M	\$2761M	\$491M
Industrial Production MoM	02-June	Apr	-1.4%	-1%	-1.20%	-0.8%
Selic Rate	03-June	03-Jun	13.75%	13.75%	--	13.25%
Chile						
Central Bank Meeting Minutes	01-June	--	--		--	--
Economic Activity YoY	05-June	Apr	--	2.80%	--	1.6%
Economic Activity MoM	05-June	Apr	--	0.80%	--	-0.3%
Colombia						
Exports FOB	04-June	Apr	--	\$3,326M		\$3,402M
Colombia Monetary Policy Minute	05-June	--	--		--	--
CPI YoY	06-June	May	4.48%	4.44%	--	4.64%
CPI MoM	06-June	May	0.33%	0.29%	--	0.54%
CPI Core YoY	06-June	May	--	0.19%	--	3.44%
CPI Core MoM	06-June	May	--	4.41%	--	0.34%
Mexico						
Remittances Total	01-June	Apr	--	\$2156M	\$2012.2M	\$2257.9M
Consumer Confidence Index	05-June	May	--	92.6	--	91.3
Gross Fixed Investment	03-June	Mar	--	6.10%	--	1.3%
Overnight Rate	04-June	04-Jun	3.00%	3%	--	3.00%
Vehicle Production AMIA	05-June to 10-June	May	--		--	283,392
Peru						
CPI YoY	01-June	May	3.00%	3.21%	3.37%	3.02%
CPI MoM	01-June	May	0.27%	0.41%	0.56%	0.39%

Source: BBVA Research

Most recent Latam reports

Date	Description
06.02.2015	Mexico: Banxico won't change its monetary policy
06.02.2015	Mexico: Remittances rise moderately at 1.8% YoY in April
06.01.2015	Peru: Inflation increase reduces room for policy rate cut
06.01.2015	Peru: GDP acceleration at the beginning of the Q2 due to primary activities
05.29.2015	Chile: Public investment continues growing in April
05.28.2015	Chile: to reduce public investment to reach structural balancing in 2018
05.27.2015	Chile: IPC inflation will rise at 0,2% MoM in May, below consensus
05.27.2015	Chile: Investment in non-mining tradable goods
05.26.2015	Chile: Exchange rate competitiveness
05.22.2015	Colombia: BanRep keeps its monetary policy rate on hold

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