

Latam Daily | COPOM refrains from signalling that the tightening cycle is over

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As expected, the central banks of Chile and Peru kept their interest rates on hold at 3.0% and 3.25% respectively. Moreover, we do not expect any changes in the monetary policy of either country for the remaining of the year. In Mexico, industrial production dropped 0.1% in April due to the sluggish performance of the mining and utilities sectors.

Brazil - COPOM leaves all options on the table

The minutes of last week's monetary policy meeting brought no exciting news. The monetary authority analysis of both the external and internal environment as well as the messages regarding the future monetary policy stance remained broadly unchanged. Among the few novelties, we would highlight that the COPOM appeared to be somewhat more pessimistic regarding economic activity. Moreover, as in recent comments by BCB officials, the minutes stressed that very high inflation in 2015 requires "determination and perseverance to prevent its transmission to longer terms". Finally, the minutes showed that BCB's inflation forecasts for the end of 2016 remained stable, still above 4.5%. Therefore, in our view the COPOM refrained from using yesterday's minutes to commit to a specific strategy ahead. Although some signalling could be provided in the inflation report at the end of June, both maintaining the Selic rate at 13.75% -in our view the most likely scenario- and adjusting it up again (by either 25bp or 50bp) remain as possible outcomes the next monetary policy meeting (for more detail see our Brazil Flash).

Chile - As widely expected, the central bank keeps the policy rate on hold at 3%

Yesterday, the central bank kept the policy rate on hold at 3% and maintained the neutral bias, as expected. The communiqué highlighted an assessment of still weak economic activity, while annual inflation figures remain at around 4% YoY. In this regard, we maintain our expectation that inflation will retreat to levels of around 2.9% YoY at the end of this year, below market expectation (around 3.5% YoY). In this context, our baseline scenario does not consider any changes in the policy rate during 2015, but we do not rule out the possibility that the Board may discuss additional stimulus once annual inflation retreats to lower levels during 2H15 (see our Chile Flash in Spanish for details).

Colombia - A positive surprise in civil works

In the first quarter of 2015, civil works payments grew 6.9% YoY (vs. BBVAe: -5.2% YoY). The main drivers were ports, water works, sewers, and other engineering works (associated with sporting events). This result implies an upward bias to our outlook for GDP, due to be released today (for further details see below in the What to watch today).

Mexico - Industrial production decreased -0.1% m/m, sa, in April

Industrial production decreased in April 0.1% as the result of the unfavourable performance of the mining (-3.6%) and utilities (-0.2%) sectors. The growth of the construction (0.1%) and manufacturing sectors (2%) was not enough to offset the impact of the mining industry.

Peru - CB keeps the policy rate at 3.25% in June

This was a widely expected decision. Even though private spending remains weak, depreciation pressures on the local currency persist (in a context of still high credit dollarisation) and inflation has risen above the ceiling of the target range, both of which leave little room for a rate cut. This context will probably not change in the coming months. Hence, we expect the policy rate to remain at 3.25% for at least the second half of 2015. (See our Peru Flash in Spanish for details.)

What to watch today

Colombia - GDP (1Q15, 12:00hrs NYT)

We expect GDP to grow 2.1% YoY (-0.1% QoQ). However, the good result in civil works, released yesterday, could contribute with at least 0.4 percentage points to growth, improving our GDP outlook. Internal demand should remain strong, but we believe external demand could have a significant negative contribution.

Colombia - Medium-Term Fiscal Plan (16:00hrs NYT)

According to a previous presentation made by the Minister of Finance, the government expects the central government deficit to stand at 3% of GDP (the previous Government estimate was 2.8% and BBVAe:2,9%). In addition, according to the MoF, the new potential GDP growth estimate could oscillate between 4.3% and 4.4% and the effective GDP growth for 2015 would stand at 3,4% (BBVAe:3,1%). According to the Minister the expected Brent oil price for 2015 is USD60/bbl and oil production is expected to remain constant at one million barrels per day for 2015 and over the next eight years.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Vehicle Production Anfavea	08-June	May	–		210,086	217,089
FGV Inflation IGP-DI MoM	09-June	May	0.34%		0.4%	0.92%
IBGE Inflation IPCA MoM	10-June	May	0.57%		0.74%	0.71%
COPOM Monetary Policy Meeting Minutes	11-June					--
Chile						
CPI YoY	08-June	May	4.0%	4.0%	4%	4.1%
CPI MoM	08-June	May	0.2%	0.2%	0.20%	0.6%
Copper Exports	08-June	May	–		\$2853,25M	\$2881.9M
Trade Balance	08-June	May	\$1250.0		\$981,66M	\$1150.5M
Vehicle Sales Total	05-June to 10-June	May	–		–	23,084
Central Bank's Economist Survey	10-June		–		–	
Central Bank's Traders Survey	10-June		–		–	
Overnight Rate Target	11-June	1-June	3.00%		3.0%	3.00%
Colombia						
Civil Works Payments (YoY)	11-June	1Q	–	-5.2%	–	0.05
GDP YoY	12-June	1Q	2.7%	2.1%	–	3.5%
GDP QoQ	12-June	1Q	0.3%	-0.1%	–	0.7%
Mexico						
Vehicle Production AMIA	08-June	May	–		288,382	283,392
Bi-Weekly CPI	09-June	1-May	0.08%	0.2%	0.04%	-0.53%
Bi-Weekly Core CPI	09-June	1-May	0.09%	0.13%	0.08%	0.03%
Bi-Weekly CPI YoY	09-June	1-May	2.86%	2.98%	2.82%	2.93%
ANTAD Same-Store Sales YoY	09-June	May	–	4.7%	7.4%	4.9%
CPI MoM	09-June	May	-0.47%	-0.42%	-0.5%	-0.26%
CPI Core MoM	09-June	May	0.12%	0.14%	0.12%	0.16%
CPI YoY	09-June	May	2.91%	2.96%	2.88%	3.06%
Nominal Wages	10-June	May	–		4.3%	4.1%
Industrial Production MoM	11-June	Apr	–		-0.10%	0.0%
Industrial Production YoY	11-June	Apr	1.2%	1.9%	1.10%	1.7%
Formal Job Creation Total	12-June	May	–	55.7K	–	65.1K
Peru						
Trade Balance	09-June	Apr	–		-\$746M	-\$573M
Reference Rate	12-June	1-jun	3.25%		–	3.25%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
06.11.2015	Peru: We expect the Central Bank to keep its monetary policy unchanged for the remaining of the year
06.11.2015	Mexico: Industrial production contracts slightly
06.11.2015	Chile: Central Bank keeps its monetary policy unchanged at 3%, as expected
06.10.2015	Colombia: Inflation slows down in May due to a drop in food prices
06.10.2015	Colombia: PIPE 2.0 to boost production and employment
06.08.2015	Chile: Confidence would have dragged down Chilean GDP by between 0.3%-0.6%
06.08.2015	Chile: Inflation rises to 0.2% in May, in line with expectations
06.05.2015	Chile: Imacec falling short of expectations and wages slowing down
06.05.2015	Mexico: Industrial production to improve at the beginning of 2Q15
06.04.2015	Mexico: Central Bank keeps its monetary policy unchanged at 3%
06.03.2015	Brazil Outlook 2015
06.03.2015	Latam Outlook 2Q15

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