

## Latam Daily | Chilean central bank kept MPR on hold and maintained neutral bias

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*We do not rule out additional stimulus in 2H15. In Brazil the drop in Retail sales in May suggests a further decline in consumption in 2Q15. In Peru, GDP will be released today.*

### Brazil - Retail sales fell 0.9% in May, reinforcing our view that private consumption will fall sharply in 2Q15

Retail sales fell more than expected in May, with a drop of 0.9% MoM (BBVAe: -0.5% MoM; consensus: -0.2% MoM). This is the fourth monthly decline in a row. In addition to that, the broad retail sales indicator, which also includes vehicles and construction material, plunged 1.8% MoM. Sales of seven out of ten sectors fell, with vehicles and motorcycles of particular note (-4.6% MoM), as well as construction materials (-3.8% MoM) and furniture and appliances (-2.1% MoM). The sharp contraction in retail sales in May, which is in line with the ongoing slowdown of the labour market, reinforces our view that private consumption will fall even more in 2Q15 than in 1Q15 (-1.5% QoQ).

### Chile - The central bank keeps the policy rate on hold at 3% in July's meeting

Yesterday, the central bank kept the policy rate on hold at 3% and maintained the neutral bias, as widely expected. The communiqué highlighted the Board's assessment of still weak economic activity while it dropped the unemployment rate as a thermometer of labour market conditions, now pointing to both a slow growth of job-creation and the deceleration in wage inflation. It appears that the economic outlook is starting to deviate from the central bank's latest baseline scenario. Finally, the Board also highlighted that the annual inflation figures remain above 4% YoY. In this regard, we maintain our expectation that annual inflation will retreat faster than is implicit in market expectations. In this context, 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).

## What to watch today

### Peru - Peru's GDP (May, 11:30hrs NYT)

The GDP figure for May will be released today. Our estimation is 1.8%, lower than the previous month (4.3% in April). The outcome for May was supported by the good performance of primary activities (mining and fishing). However, the non-primary GDP (composed by the sectors that closely respond to the domestic demand) remained weak.

## Colombia - Industrial production and retail sales (May, 17:00hrs NYT)

We expect industrial production to have fallen 4.0% YoY, mainly explained by two working days fewer compared to May 2014 and the anaemic performance of industrial exports. Meanwhile, retail sales should grow 3.1% YoY, above the April figure, but lower than the average of the first quarter. In short, data should confirm the feeble recovery in industrial production and the gradual slowdown in the private consumption, all in line with our expectations.

## Colombia - Consumer confidence (June, no time scheduled)

We expect consumer confidence to fall to 10.0 (vs. 13.7 in May). Due to guerrilla attacks on infrastructure, rural households' perceptions could have been affected. However, households' perceptions about employment and income conditions should be positive. All in all, the lows in the consumer confidence indicator are consistent with our outlook of a slowdown in the private consumption.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Formal Job Creation Total	13 July to 20 July	Jun	--		--	-115,599
Retail Sales MoM	14 July	May	-0.2%	-0.50%	-0.90%	-0.4%
FGV CPI IPC-S	16 July	01-Jul	--		--	0.82%
CNI Industrial Confidence	17 July	Jul	--		--	38.9
Economic Activity MoM	17 July	May	-0.60%	-0.80%	--	-0.84%
<b>Chile</b>						
Overnight Rate Target	14 July	--	3.00%	3.00%	3.00%	3.00%
<b>Colombia</b>						
Vehicle Sales	13 July to 15 July	Jun	--		--	22,696
Retail Sales YoY	15 July	May	2.9%	3.10%	--	-1.0%
Industrial Production YoY	15 July	May	-2.2%	-4.0%	--	-3.6%
Consumer Confidence Index	15 July	Jun	--	10	--	13.7
<b>Peru</b>						
Economic Activity YoY	15 July	May	2.5%	1.80%	--	4.3%
Unemployment Rate	15 July	Jun	--		--	7.0%

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
07.13.2015	<a href="#">Chile: Central Bank of Chile keeps MPR at 3% as expected</a>
07.10.2015	<a href="#">Colombia: Client presentation on real estate in Santa Marta</a>
07.10.2015	<a href="#">Mexico: Inflation touches record low; industrial production shows weakness</a>
07.10.2015	<a href="#">Peru: Monetary dilemma remains; activity, exchange rate, inflation?</a>
07.09.2015	<a href="#">Chile: Analyzing the new fiscal scenario</a>
07.09.2015	<a href="#">Mexico: Inflation YoY reached its lowest level in June</a>
07.08.2015	<a href="#">Chile: "One timers" drive inflation above expectations</a>
07.05.2015	<a href="#">Sectors that will benefit the most from the Pacific Alliance</a>
07.04.2015	<a href="#">Chile: IMACEC grows 0.8% YoY in May: slowdown speeds up</a>
07.04.2015	<a href="#">Colombia: Inflation in June stood at 4.4% YoY</a>
07.03.2015	<a href="#">Mexico: Industrial production could decrease 0.3</a>
07.01.2015	<a href="#">Chile: New challenge for fiscal authority, implementing USD 8 Bln through public investment</a>
07.01.2015	<a href="#">Peru: Inflation will make harder the CB's commitment</a>

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