

LatAm Daily | Brazilian industrial output plunges and supports the downward bias for GDP

Cecilia Posadas / Enestor Dos Santos / Jorge Selaive Carrasco / Juana Téllez Corredor / Carlos Serrano Herrera / Hugo Perea Flores

COPOM maintained the Selic rate unchanged at 14.25% in a difficult environment with inflation well above the central bank's target range and economic activity in technical recession.

Brazil - Negative surprise of industrial production in July

Brazilian industrial production plummeted in July and surprise expectations (-0.2% MoM BBVAe, -0.1% consensus), with a reduction of 1.5% MoM. This implies a decrease in industrial production of 8.9% if we compare it with July 2014. The breakdown of the July result reveals that the decrease in this industrial output occurred in 14 out of the 24 sectors surveyed, with the most significant being the wood products and food and beverage products, with falls of 7.6% and 6.2% respectively. In contrast, machinery and equipment increased its production by 6.5%, partially compensating for the decline of 11.9% accumulated in the previous five months. This figure was mainly driven by a 1.9% drop in capital goods and by a 2.1% fall in intermediate goods 0.1% with respect to the previous month. This result is in line with the downward bias for the outlook for Brazil's GDP.

Brazil - COPOM leaves the Selic rate unchanged at 14.25%

The Monetary Policy Committee (COPOM) decided to leave the Selic unchanged at 14.25%, as expected. The monetary authority repeated last meeting's statement that "The Committee understands that maintaining this level of the basic interest rate, for a sufficiently long period is necessary for the convergence of inflation to the target in late 2016". We recall that inflation in Brazil is well below the 4.5% +/- 2 pp target and stood at 9.6% in July, while 2Q15 GDP plunged 1.9% QoQ and July industrial production surprised negatively. In spite of the moderation in domestic demand, we expect inflation to reach 5.3% at the end of 2016, influenced by the effects of sharp currency depreciation. On the growth front, the economy will experience a significant contraction in 2015 (with a downward bias) and stagnation in 2016. Any easing cycle in the next year will not be as aggressive as the previous ones due to the risks related to the loss of the country's credit rating and to the Fed's normalization of monetary policy.

What to watch today

No relevant news is expected for today.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
GDP QoQ	28-Aug	2Q	-1.800		-1.90	-0.20%
FGV CPI IPC-S	1-Sep	Aug 31			0.22	0.27%
Trade Balance Monthly	1-Sep	Aug			2689.00	\$2379M
CNI Capacity Utilization (SA)	1-Sep	Jul			78.60	80.1%
Industrial Production MoM	2-Sep	Jul	-0.1	-0.30	-1.50	-0.30%
Selic Rate	2-Sep	37500	14.25	14.25	14.25	14.25%
FIPE CPI - Monthly	3-Sep	Aug	0.55		--	0.85%
FGV Inflation IGP-DI MoM	4-Sep	Aug	0.32		--	0.58%
Chile						
Unemployment Rate	31-Aug	Jul		6.50	6.6	6.50%
Manufacturing Production YoY	31-Aug	Jul		2.50	0.72	1.70%
Retail Sales YoY	31-Aug	Jul		3.40	2.9	4.10%
Industrial Production YoY	31-Aug	Jul		--	-1.68	1.60%
Colombia						
Urban Unemployment Rate	31-Aug	Jul		9.70	9.01	9.70%
National Unemployment Rate	31-Aug	Jul			8.84	8.20%
Colombia Monetary Policy Minutes	4-Sep	--			0	--
Exports FOB	4-Sep	Jul	3290	\$3,099.00	--	\$3218.1
CPI YoY	5-Sep	Aug	4.45	4.53	--	4.46%
CPI MoM	5-Sep	Aug	0.20	0.27	--	0.19%
CPI Core YoY	5-Sep	Aug		4.09	--	3.98%
CPI Core MoM	5-Sep	Aug		0.25	--	0.32%
Mexico						
Net Outstanding Loans	31-Aug	Jul			2859.2	2832B
Remittances Total	1-Sep	Jul		2083	2231.8	\$2168.3M
IMEF Manufacturing Index SA	1-Sep	Aug			51.794	52.7
IMEF Non-Manufacturing Index SA	1-Sep	Aug			49.489	51.3
Vehicle Domestic Sales AMIA	1-Sep	Aug			110928	111,714
Leading Indicators (MoM)	2-Sep	Aug			-0.09	-0.05
Gross Fixed Investment	3-Sep	Jun	6.5	6.5	--	2.30%
Peru						
CPI YoY	1-Sep	Aug		3.92		3.56%
CPI MoM	1-Sep	Aug		0.26	4.04	0.45%
Consumer Confidence Index	4-Sep	Aug			0.38	92.2

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
09.02.2015	Mexico: Private sector credit increased 10.7% in July
09.01.2015	Peru: Inflation continued to accelerate in August
09.01.2015	Chile: Public expenditure increased by 8.9% in July
09.01.2015	Mexico: Remittances reached the highest growth rate of the year in July (11.7%)
08.31.2015	Chile: Transitory factors could lead the IMACEC below 2% in July
08.31.2015	Chile: Investment in non-mining exporting sectors
08.28.2015	Peru: Private expenditures maintained fragile in 2Q15
08.28.2015	Chile: MPR Minutes CB considers sorpresive option of rise in MPR
08.25.2015	Chile: And if there were a central bank intervention, what form would it take?
08.24.2015	Chile: We expect inflation to grow 0.4% MoM in August
08.21.2015	Colombia: BanRep kept rates on hold on a majority vote
08.21.2015	Mexico: Exchange rate at all-time highs
08.20.2015	Mexico: GDP growth increased in 2Q15 slightly above than expected, 2.2% annual

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