

LatAm Daily | Brazilian private consumption weakened again in August

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

A widespread slowdown of retail sales in most of the surveyed sectors in Brazil reveals weakened private consumption in August. In Chile, trader's and credit surveys anticipate a 25bp hike in the MPR and higher restrictions from loan suppliers respectively.

Brazil - Retail sales contracted further in August

Retail sales indicators revealed that private consumption weakened further in August. The narrow indicator dropped 0.5% MoM and the broad one, which also includes vehicles and construction material, contracted 2.0% MoM. The slowdown was widespread: only two of the ten sectors surveyed did not see a reduction in sales. Yesterday's retail sales data revealed a somewhat gloomier picture than expected, backing our prospects of another contraction in both private consumption and GDP in 3Q15.

Chile - The trader's survey expects a 25bp rate increase at today's monetary policy meeting

The results showed inflation expectations at 0.3% MoM for October (in line with our view). The long-term view (24 months ahead) returned to 3.0% YoY, anchored to central bank's target. In terms of policy rates, traders' expectations are for a 25bp hike at today's meeting and another 25bp increase in six months' time. Finally, results showed expectations of a stable exchange rate at levels around USDCLP690 (see our [Chile Flash](#) in Spanish for details).

Chile - Credit survey for 3Q15 showed increasing supply restrictions

The central bank's credit survey for 3Q15 pointed to increased restrictions from loan suppliers in all segments while borrowers showed less dynamic. Nonetheless, the SME and mortgage segments of demand seem receptive to more borrowing. All in all, results points to still weak domestic demand due to financial restrictions.

What to watch today

Peru - GDP (August, 11:30hrs NYT)

Our estimate is 3.1% YoY (consensus: 3.0%), supported by the good performance of mining production (13.3%). However, non-primary GDP (composed of those sectors which more closely reflect the behaviour of domestic demand) remains subdued.

Chile - Monetary policy meeting (October, 17:30hrs, NYT)

The Board's concerns over annual inflation above 4% should persist, now due to its effect on the credibility of the inflation targets, while aggregate activity continues to indicate slack in private demand. We do not rule out that the central bank demonstrates its commitment to monetary normalisation with a 25bp increase in rates; nonetheless all incoming data support another pause at 3% until the November meeting. In this context, consensus expectations have supported a wait-and-see stance, but asset prices are discounting a rate hike for today.

Peru - Monetary policy meeting (October, 18:30hrs NYT)

We expect the policy rate to remain on hold in October, at 3.50%. Recent statements in the press by the Chairman of the Board at BCRP point in that direction (no further rate hikes in the short term, i.e. for a couple of months, after the 25bp increase in September). This is supported by the relatively low MoM inflation print in September, a similar expected performance from prices in October (which would drive YoY inflation down even further), and a more contained pass-through from local currency depreciation to inflation (the main driver behind the acceleration of prices in 2015), as the FX is now climbing at a more moderate pace.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Retail Sales MoM	14-Oct	Aug	-0.60%	-0.70%	-0.90%	-1.00%
Formal Job Creation Total	15-Oct	Sep	-59564			-86543
Tax Collections	15-Oct	Sep	94500			93738m
Economic Activity MoM	16-Oct	Aug	-0.55%	-0.40%		-0.02%
FGV Inflation IGP-10 MoM	16-Oct	Oct	1.75%			0.61%
FGV CPI IPC-S	16-Oct	Oct	0.71%			
Chile						
Central Bank's Economist Survey	13-Oct					
Central Bank's Traders Survey	14-Oct					
Overnight Rate Target	15-Oct	Oct	3.25%	3.00%		3.00%
Colombia						
Vehicle Sales	13-Oct	Aug				23001
Consumer Confidence Index	15-Oct	Sep		2		-0.4
Retail Sales YoY	16-Oct	Aug	3.00%	2.50%		4.50%
Industrial Production YoY	16-Oct	Aug	1.00%	3.00%		0.30%
Mexico						
Industrial Production NSA YoY	12-Oct	Aug			1.02%	0.70%
Formal Job Creation Total	12-Oct	Sep			117.64	72.4k
Peru						
Unemployment Rate	15-Oct	Sep	6.40%			6.10%
Economic Activity YoY	15-Oct	Aug	3.00%	3.10%		3.30%
Reference Rate	16-Oct	Oct	3.50%	3.50%		3.50%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
10.14.2015	Chile: Complicated monetary policy decision (In Spanish)
10.12.2015	Peru: Transpacific agreement benefits still pose implementation challenges (In Spanish)
10.08.2015	Chile: CPI increased 0.5% MoM in September, below consensus expectations
10.07.2015	Brazil: Inflation: stable at high levels and ready to move further up
10.06.2015	Mexico: Credit to private sector grew 11.6% in August driven by consumer & firms credit
10.06.2015	Colombia: Sharply rise in food prices pushes inflation up
10.05.2015	Chile: Imacec weakened to 1.1% YoY in August, missing expectations
10.02.2015	Mexico: Weak employment data in the US reduces the chance of a rate hike soon (In Spanish)
10.02.2015	Colombia: In three decades the country's GDP per capita doubled (In Spanish)
10.02.2015	Colombia: The automotive sector, more than a decade of acceleration (In Spanish)
10.02.2015	Peru: Inflation surprised on the upside in September
10.02.2015	Mexico: Remittances reach maximum growth & record of year, +13.1% & 2,266.4 million USD
10.02.2015	Mexico: Positive results in Phase 2 of Round 1 from better tendering process & contracts

This document has been prepared by BBVA Research Department, it is provided for information purposes only and expresses data, opinions or estimations regarding the date of issue of the report, prepared by BBVA or obtained from or based on sources we consider to be reliable, and have not been independently verified by BBVA. Therefore, BBVA offers no warranty, either express or implicit, regarding its accuracy, integrity or correctness.

Estimations this document may contain have been undertaken according to generally accepted methodologies and should be considered as forecasts or projections. Results obtained in the past, either positive or negative, are no guarantee of future performance. This document and its contents are subject to changes without prior notice depending on variables such as the economic context or market fluctuations. BBVA is not responsible for updating these contents or for giving notice of such changes.

BBVA accepts no liability for any loss, direct or indirect, that may result from the use of this document or its contents.

This document and its contents do not constitute an offer, invitation or solicitation to purchase, divest or enter into any interest in financial assets or instruments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

In regard to investment in financial assets related to economic variables this document may cover, readers should be aware that under no circumstances should they base their investment decisions in the information contained in this document. Those persons or entities offering investment products to these potential investors are legally required to provide the information needed for them to take an appropriate investment decision.

The content of this document is protected by intellectual property laws. It is forbidden its reproduction, transformation, distribution, public communication, making available, extraction, reuse, forwarding or use of any nature by any means or process, except in cases where it is legally permitted or expressly authorized by BBVA.