

LatAm Daily | We expect an increase in prices and an unchanged Selic rate in Brazil today

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In Brazil, October's IPCA-15 is expected to show another increase in domestic prices and an increase in full-month inflation. On the other hand, the Selic rate should remain unchanged in view of the weaker economic activity. The main risk to our call is that the monetary easing we expect to start in 2Q16 ends up being delayed until 2H16.

What to watch today

Brazil - IPCA-15 (October, 9:00hrs NYT)

We expect October's IPCA-15, which measures inflation from mid-September to mid-October, to show another sharp increase in domestic prices. This time, the impact of the adjustment in fuel prices will add to other sources of pressure (mainly exchange rate depreciation and administered and food prices) and take the IPCA-15 to 9.73% YoY / 0.63% MoM from 9.57% YoY / 0.39% MoM. This would reinforce our view that full-month inflation will increase again in October after remaining relatively unchanged around 9.5% YoY for the last three months.

Brazil - Monetary policy decision (after local financial markets close)

In our view the Selic rate will remain unchanged and the communiqué will be identical to one issued in the previous meetings ("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"). In spite of the upward risks, we believe that the BCB Board is not willing to hike the Selic rate again in an environment where economic activity is contracting sharply. Therefore, the main risk to our call is not a hike in the remainder of the year but rather that the monetary easing we expect to start in 2Q16 ends up being delayed until 2H16.

Mexico - Retail sales (August, 9:00hrs NYT)

We estimate that retail sales in August will show a monthly growth rate of 0.7% and an annual rate of 4.8%, both seasonally adjusted. This forecast implies that retail sales will be growing in the short run at a similar pace to what they have done throughout the year.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Formal Job Creation Total	19-Oct	Sep	-60250			-86543
Tax Collections	19-Oct	Sep	94000			93738m
FIPE CPI - Weekly	20-Oct	Oct	0.81%		0.89%	0.79%
IGP-M Inflation 2nd Preview	20-Oct	Oct	1.73%		1.86%	0.65%
CNI Industrial Confidence	20-Oct	Oct				35.7
IBGE Inflation IPCA-15 MoM	21-Oct	Oct	0.68%	0.63%		0.39%
Selic Rate	21-Oct	Oct	14.25%	14.25%		14.25%
Unemployment Rate	22-Oct	Sep	7.80%	7.80%		7.60%
Current Account Balance	23-Oct	Sep	-2200			-\$2487m
Colombia						
Trade Balance	20-Oct	Aug	-1370	-\$1220	-1433.6	-\$1757.7
Retail Confidence	22-Oct	Sep		16		17.8
Industrial Confidence	22-Oct	Sep		4.1		2.9
Mexico						
Retail Sales YoY	21-Oct	Aug	4.80%			5.80%
Retail Sales MoM	21-Oct	Aug	0.60%			0.50%
Bi-Weekly CPI	22-Oct	Oct	0.50%	0.57%		0.00%
Bi-Weekly Core CPI	22-Oct	Oct	0.18%	0.17%		0.10%
Bi-Weekly CPI YoY	22-Oct	Oct	2.53%	2.58%		2.51%
Unemployment Rate NSA	23-Oct	Sep	4.64%			4.68%
Unemployment Rate SA	23-Oct	Sep	4.30%			4.32%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
10.16.2015	Mexico: Weak US industrial prod. suggests that moderation in Mexico will continue
10.16.2015	Peru: Unsurprisingly, the central bank kept the policy rate at 3,50%
10.15.2015	Chile: Central bank increases the MPR to 3.25%, maintaining the contractionary bias (In Spanish)
10.15.2015	Peru: GDP growth in August was lower than expected (In Spanish)
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)

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