

LatAm Daily | Inflation peaked at 10.7% YoY in Brazil at the end of 2015

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

Despite inflation was somewhat lower than expected in December; it was well above the target range due to the “normalisation” of regulated prices together with the impact of the exchange rate depreciation and other supply shocks. December’s inflation was also lower than expected in Chile, where incoming data support a pause in MPR at this week’s Monetary Policy meeting.

Brazil - Inflation peaked at 10.7% YoY in December

Inflation closed 2015 at 10.67% YoY, somewhat lower than expected (BBVAe: 10.8% YoY; consensus: 10.7% YoY), but still well above the target range (2.5%-6.5%). Increases in food, housing and transport prices jointly accounted for 71% of inflation in 2015. The “normalisation” of regulated prices, which increased 18.1% YoY in 2015, is directly related to the abnormally high inflation in the housing and transport groups. Moreover, it is one of the factors, together with the impact of the exchange rate depreciation and some other supply shocks, that help to explain the 12.0% YoY increase in food prices in 2015. After trending up during the last year, inflation should start to decline in January, due to lower (although still high) pressure from regulated prices. Inertia and the effect of a weaker currency cast doubts on the convergence of inflation to the target range in 2016, but we still expect inflation to reach 6.1% YoY in December 2016 (see more details in our [Brazil Flash](#)).

Chile - CPI closes 2015 with an increase of 4.4% YoY

CPI registered a 0.0% MoM figure in December 2015 (+4.4% YoY), below our expectations and those of the market (both at +0.1% MoM). The monthly print was driven by positive contributions from transportation fares and housing that were fully offset by higher than expected declines in food stuffs. Nonetheless, the measure that excludes foods and energy increased +0.3% MoM (+4.7% YoY). Finally, all incoming data support a pause in rates at this week’s monetary policy meeting (see our [Chile Flash](#) in Spanish for details).

What to watch today

No relevant news is expected for today.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
IGP-M Inflation 1st Preview	11-Jan	Jan	0.48%			0.44%
CNI Capacity Utilization (SA)	12-Jan	Nov				77.70%
FIPE CPI - Weekly	12-Jan	Jan	0.86%			0.91%
Retail Sales MoM	13-Jan	Nov	-0.90%	-0.50%		0.60%
Economic Activity MoM	14-Jan	Nov	-0.90%	-0.30%		-0.63%
Formal Job Creation Total	15-Jan	Dec	-650000			-130629
FGV Inflation IGP-10 MoM	15-Jan	Jan	0.56%			0.81%
National Unemployment Rate	15-Jan	Oct	9.00%			8.90%
Tax Collections	15-Jan	Dec	115100			95461m
CNI Industrial Confidence	15-Jan	Jan				36
Chile						
Central Bank's Economist Survey	12-Jan					
Central Bank's Traders Survey	13-Jan					
Overnight Rate Target	14-Jan	Jan	3.50%	3.50%		3.50%
Colombia						
Consumer Confidence Index	13-Jan	Dec		2.0		6.7
Mexico						
Industrial Production NSA YoY	11-Jan	Nov	1.30%			0.50%
Vehicle Production AMIA	11-Jan	Dec				296338
Formal Job Creation Total	12-Jan	Dec				132.3k
Gross Fixed Investment	14-Jan	Oct	2.70%			5.70%
Peru						
Trade Balance	11-Jan	Nov				-\$182m
Reference Rate	15-Jan	Jan	3.75%	4.00%		3.75%
Economic Activity YoY	15-Jan	Nov	3.75%	3.70%		3.00%
Unemployment Rate	15-Jan	Dec	6.00%			5.80%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
01.08.2016	Mexico: Oil in lowest level since 2004 and dollar in record high
01.08.2016	Brazil: Inflation peaked at 10.7% YoY in December
01.08.2016	Peru: Exports continue to improve in November (In Spanish)
01.08.2016	Chile: CPI closes 2015 with an increase of 4.4% YoY (In Spanish)
01.07.2016	Chile: Emissions by a total of 11,000md are announced (In Spanish)
01.06.2016	Colombia: Inflation closed 2015 at 6.8% (In Spanish)
01.05.2016	Chile: IMACEC growth in November disappoint again (In Spanish)
01.04.2016	Peru: Inflation surprising on the upside in December
01.04.2016	Chile: We forecast CPI for December at 0.1% MoM (4.5% YoY) (In Spanish)
01.04.2016	Mexico: Remittances grow 6.3% in November with a flow of 1887.9md (In Spanish)
12.30.2015	Chile: November IMACEC would be between 2.25% and 2.75% YoY (0.2% MoM) (In Spanish)
12.23.2015	Brazil: BCB is concerned with the impact of fiscal uncertainty and "non-economic events"
12.22.2015	Chile: An optimistic central bank baseline scenario for 2016
12.21.2015	Chile: Monetary Policy Report: the optimism persists (In Spanish)
12.18.2015	Mexico: Monetary hike that helps the peso in the range
12.18.2015	Colombia: BanRep increased its monetary policy rate in 25bp to 5.75%
12.18.2015	Chile: Central bank increases the policy rate to 3.50%, surprising part of the market
12.17.2015	Chile: 25bp hike in the MPR that we consider preventive rather than aggressive (In Spanish)
12.17.2015	Mexico: 0.25% rise in the monetary policy rate

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.