

LatAm Daily | In Colombia, BanRep hikes its MPR by 25bp up to 5.50%, as we expected

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BanRep's board increased its MPR in November by 25bp. The decision was not unanimous and was driven by the dynamics of inflation, inflation expectations, and a slower convergence towards its target range. Despite the pause in Chilean MPR, minutes reveal that the normalisation will be data dependent. Credit decreased in real terms and the default rates increased in Brazil.

Colombia - BanRep increases the repo rate by 25bp up to 5.50% as expected

In November, BanRep's board increased its monetary policy rate by 25bp, up to 5.50%. According to the communiqué and the press conference the main drivers behind this decision were the recent dynamics of inflation, inflation expectations, and a slower convergence of inflation to the target range, similar to the previous communiqué. During the press conference, the CB's Governor Uribe mentioned that the decision was not unanimous. In addition, the CB's board ratified the inflation target at 3% (+/- 1 percentage point). In the communiqué, the board said that they expect the deviation of inflation from its target to be temporary. Nonetheless, they anticipate the convergence of inflation will be achieved in a two-year horizon. For December's meeting we expect BanRep to keep its monetary policy rate on hold at 5.50%.

Chile - Despite the pause, the minutes are biased to more tightening, although normalisation will be gradual and data dependant

The November's monetary policy minutes revealed as policy options both an increase in rates of 25bp and a pause at 3.25%. Concerns about annual inflation figures above 4% persist, mainly due to further exchange-rate depreciation driven by lower terms of trade. The board highlighted the slow growth in activity due to the slack in demand in a context of low confidence, but nonetheless pointed to the stabilisation of investment and the resilience of the labour market figures, particularly the still low unemployment rate and the stabilization of investment. All in all, to be consistent with recent speeches and guidance of gradual monetary policy normalisation, the option for pause at 3.25% prevailed, but emphasising that normalisation will remain data dependant as depicted in the current monetary policy report.

Brazil - The credit stock grows negatively in real terms; default rates increase

The total credit stock grew by 8.1% YoY in October, a further moderation in comparison to previous months (9.1% YoY in September and 11.3% YoY at the end of 2014, for example). This means that the credit markets are currently running below the rate of inflation (9.9% YoY in October). The same applies to both household and corporate credit, which are currently growing at 8.4% YoY and 7.9% YoY, respectively. From a different perspective, credit from private banks is also growing negatively in real terms as its nominal growth was only 3.1% YoY in October. On the other hand, credit from state-owned banks continues to grow above inflation, at 12.5% YoY in October, in spite of the recent moderation (13.8% YoY in September and 16.7% in December 2014). Although at a slow pace, non-performing loans (NPL) continued to increase. The NPL ratio reached 3.2%, from 3.1% in the previous reading and 2.7% at the end of 2014. This is the highest ratio since the first half of 2013. Looking ahead, we expect it to continue to trend upwards in the coming months as the sharp economic deterioration weighs more heavily on both consumers and corporates.

What to watch today

Chile - Activity data by sector (October, 08:00hrs NYT)

We expect manufacturing output to have decreased by around 1.0% YoY in October, while retail sales should come in at around +2.0% YoY. Figures should still point to weakness in aggregate economic activity.

Chile - Unemployment rate (October, 08:00hrs NYT)

We expect the jobless rate to show a slight decline to 6.3% in October (from 6.4% in previous month). Job creation should remain resilient and driven by public-sector employment.

Colombia - Unemployment rate (October, 11:00hrs NYT)

We expect the unemployment rate for October to stand at 9.4% (an increase of 0.7 percentage points YoY). Employment generation should remain low in October.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Primary Budget Balance	30-Nov	Oct	-12.85			-7.3b
FGV CPI IPC-S	1-Dec	Nov	1.02%			0.94%
GDP QoQ	1-Dec	3Q	-1.20%	-0.50%		-1.90%
Trade Balance Monthly	1-Dec	Nov	1300.00			\$1996m
COPOM Monetary Policy Meeting Minutes	3-Dec					
Industrial Production MoM	3-Dec	Oct	-0.15%	-0.40%		-1.30%
Chile						
Unemployment Rate	30-Nov	Oct	6.40%	6.30%		6.40%
Retail Sales YoY	30-Nov	Oct	2.40%	2.00%		3.10%
Industrial Production YoY	30-Nov	Oct	-1.05%	-1.00%		0.40%
Nominal Wage YoY	4-Dec	Oct				5.90%
Colombia						
Urban Unemployment Rate	30-Nov	Oct	9.45%	9.40%		9.70%
National Unemployment Rate	30-Nov	Oct				9.00%
Exports FOB	4-Dec	Oct	2956.50	3150		\$2867.1
CPI MoM	5-Dec	Nov	0.47%	0.26%		0.68%
Mexico						
Remittances Total	1-Dec	Oct	\$2140.0m	\$2107.0m		\$2060.0m
Central Bank Economist Survey	1-Dec					
Gross Fixed Investment	3-Dec	Sep	5.10%	5.20%		2.90%
Consumer Confidence Index	4-Dec	Nov	92.10	91.7		91.3
Vehicle Production AMIA	4-Dec	Nov				326876
Peru						
CPI MoM	1-Dec	Nov	0.20%	0.20%		0.14%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
11.28.2015	Colombia: BanRep increased the repo rate 25bp up to 5,50% as expected
11.27.2015	Mexico: Annual inflation below 2.3%. Next week watch for US jobs data
11.24.2015	Mexico: Bank deposits: continues catching up driven by its two components
11.21.2015	Mexico: Positive surprise in the GDP for the better-than-expected growth in the 3Q
11.20.2015	Mexico: Upside surprise in the GDP due to a better than expected growth in the 3Q15
11.18.2015	Mexico: Mortgage financing accelerates and grows 17% in September
11.14.2015	Peru: Mining led growth, but non-primary sectors decelerated (In Spanish)
11.13.2015	Mexico: We estimate that GDP growth in 3Q15 will have been similar to the 2Q15
11.13.2015	Chile: Central Bank maintains MPR at 3.25% and contractionary bias (In Spanish)
11.13.2015	Peru: Unsurprisingly, the central bank keeps once again the policy rate on hold
11.11.2015	Mexico: Regional Sectorial Outlook Second Half 2015
11.10.2015	Colombia: Outlook 4Q15 (In Spanish)
11.10.2015	Chile: Outlook 4Q15 (In Spanish)
11.06.2015	Colombia: Automotive sector, recent developments and outlook
11.06.2015	Chile: Inflation in October surprised to the upside
11.06.2015	Colombia: Foodstuff inflation unstoppable

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