

LatAm Daily | Chile and Mexico increase their policy rates by 25bp

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In Chile, the MPR hike surprised part of the markets and the CB's communiqué stated that the pace of future adjustment will be gradual and data dependent. On the other hand, Banxico increased its MPR as expected due to the risks that the Fed's rate hike could pose to inflation and its expectations. Unemployment in Brazil decreased in November due to seasonal factors.

Chile - Central bank increases the policy rate to 3.50%, surprising part of the market

The CB increased the policy rate by 25bp to 3.50% and maintained the tone for monetary normalisation at yesterday's meeting, in a context where market expectation was divided between a pause and the option of a 25bp hike. The communiqué highlighted that the pace of future adjustment will be paused and data dependent. We interpreted the Board's decision as a pre-emptive measure rather than hawkish, and given the recent developments at both the local and external level, we believe the Central bank will consider a policy normalisation of at most two additional hikes of 25bp in its baseline scenario update that will be released next week (see our [Chile Flash](#) in Spanish for details).

Mexico - Monetary policy rate raised 25bp following the Fed funds rate hike

As expected, Banxico hiked the Fondeo rate to 3.25%. The central bank underlined that although domestic economic conditions did not warrant a rate rise, the risks that the onset of US monetary normalisation poses on inflation and its expectations led to the decision. The tone of the statement turned somewhat hawkish as the balance of risks of economic activity improved and given the mention of a gradual reduction of economic slack. Inflation estimates for FY15 slumped to 2.0% YoY, while for 2016 they remained around 3.0%. We consider that relative monetary policy will continue as the main factor behind Banxico's decisions at least for the first half of 2016.

Brazil - The unemployment rate in November declined due to favourable seasonal factors

The unemployment rate moved down from 7.9% in October to 7.5% in November, below expectations (BBVA: 7.9%; consensus: 8.0%) However, this decline is completely down to seasonality. The seasonally-adjusted series increased slightly to 8.1% from 8.0%. Another sign of deterioration in labour markets in November was the 1.3% MoM / 8.8% YoY contraction in average wages in real terms, mainly due to rising inflation but also due to a moderation in nominal wages. Moreover, the labour market report showed that the total wage mass dropped 0.9% MoM / 12.2% YoY in November. We take yesterday's figures as a sign that private consumption will further weaken in 4Q15.

What to watch today

Brazil - IBC-Br (October, 5:30hrs NYT)

We expect the BCB's economic activity indicator to contract slightly, by around 0.1% MoM, in October showing that the economy continued to weaken at the beginning of the last quarter of 2015.

Brazil - IPCA-15 (December, 6:00hrs NYT)

We believe December's IPCA-15, which measures inflation from mid-November until mid-December is likely to come in close to 1.00% MoM mainly due to pressure from administered and food prices. In annual terms the IPCA-15 should close the year around 10.4%-10.5%.

Colombia - BanRep's monetary policy meeting (no set time)

BanRep's Board will have its last monetary policy meeting of the year. The recent performance of inflation, inflation expectations and inflation target credibility were the main concerns in the previous CB's minutes, and some members argue that additional monetary policy tightening could be required. That said, we expect the Board to increase the monetary policy rate by 25bp, taking the repo rate up to 5.75%, in line with consensus.

Colombia - Business confidence (November, not specific time)

We expect a slight decrease in retailer confidence (from 20.5 to 18 in a range between -100 and 100) and a small rebound in the industrial reading (from 2.1 to 4.0), in line with our outlook for retail sales (i.e., a slowdown) and manufacturing production (i.e., a gradual recovery).

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Formal Job Creation Total	14-Dec	Nov	-172550.00			-169131.00
CNI Consumer Confidence	14-Dec	Dec			96.30	97.60
CNI Industrial Confidence	15-Dec	Dec			36.00	36.40
FGV Inflation IGP-10 MoM	16-Dec	Dec	0.82%		0.81%	1.64%
FGV CPI IPC-S	16-Dec	Dec	1.12%		1.06%	1.21%
Retail Sales MoM	16-Dec	Oct	-1.40%	-0.70%	0.60%	-0.50%
Unemployment Rate	17-Dec	Nov	8.00%	7.90%	7.50%	7.90%
Economic Activity MoM	17-Dec	Oct	-0.45%	-0.10%		-0.50%
IBGE Inflation IPCA-15 MoM	18-Dec	Dec	1.11%	0.93%		0.85%
Chile						
Overnight Rate Target	17-Dec	Dec	3.50%	3.25%	3.50%	3.25%
Colombia						
Consumer Confidence Index	15-Dec	Nov	7.00	8.00	6.70	6.80
Retail Sales YoY	16-Dec	Oct	1.70%	2.00%	0.10%	2.80%
Industrial Production YoY	16-Dec	Oct	1.55%	3.00%	1.31%	2.00%
Retail Confidence	18-Dec	Nov		18.00		20.50
Industrial Confidence	18-Dec	Nov		4.00		2.10
Overnight Lending Rate	18-Dec	Dec	5.75%			5.50%
Mexico						
Overnight Rate	17-Dec	Dec	3.25%		3.25%	3.00%
Central Bank Economist Survey	18-Dec					
Peru						
Unemployment Rate	15-Dec	Nov	5.80%			
Economic Activity YoY	15-Dec	Oct	3.10%	3.20%		3.00%
Central Bank 4Q Inflation Report	18-Dec					

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
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
12.16.2015	Mexico: We expect a 25 basis point increase in the monetary policy rate
12.15.2015	Mexico: A successful Phase 3 of Round 1 despite low oil prices
12.15.2015	Peru: Mining continues to support growth, but non-primary sectors decelerated (In Spanish)
12.15.2015	Chile: We expect the MPR to hold at 3.25% at this meeting (In Spanish)
12.14.2015	Mexico: The exchange rate reached new highs due to the collapse in oil prices (In Spanish)
12.11.2015	Peru: High inflation expectations lead the Central Bank to taper the monetary stimulus
12.10.2015	Colombia: The good GDP result in the third quarter will be temporary (In Spanish)
12.09.2015	Brazil: Double-digit inflation
12.07.2015	Chile: CPI with no monthly variation in November, while activity remain weak in October
12.07.2015	Colombia: November inflation climbs to 6.4%
12.04.2015	Peru: Exports fell nearly 14% yoy in October
12.04.2015	Mexico: The expectation for December interest rate hike is reinforced
12.03.2015	Chile: We expect null variation for November's CPI (4% YoY)
12.03.2015	Chile: Activity by sector data remained weak in October
12.03.2015	Brazil: The risk of further monetary tightening raises as the fiscal situation worsens
12.03.2015	Mexico: Credit to the private sector: maintained growth of 13.3%
12.02.2015	Peru: Inflation resumes upward trend in November

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