

## LatAm Daily | Colombian CB decides to keep rates on hold but not unanimously

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The decision was taken by a majority with some board members voting for an increase. Meanwhile, BanRep reduced its 2015 growth forecast and predicted slower inflation convergence to its target. Meanwhile, urban unemployment fell to 9.7% in June, mainly due to a decline in labour force participation. Dynamics in job-creation are in line with the slowdown in activity.

### Brazil - The public sector posted a deficit in June; reaching the reduced target for the year will require fiscal efforts in 2H15

The public sector posted a BRL9.3bn primary deficit in June as the slowdown in expenditure was not enough to offset the impact of declining domestic demand on public revenues. Consequently, the primary surplus accumulated in 2015 dropped to BRL16.2bn. Even though this figure is already higher than the BRL8.7bn (0.15% of GDP) target for the whole year, its fulfillment demands further expenditure cuts or an increase in revenues going forward. The main reason for this is that the central government generated a BRL1.9bn deficit in 1H15, still falling short of its part of the target for 2015 (BRL5.8bn). On the other hand, regional governments generated a BRL19.3 primary surplus in 1H15 and we expect this result to decline significantly over 2H15 and converge to the BRL2.9bn target. Weak primary surpluses together with very high interest payments (due to both a high Selic rate and the costs of maintaining around USD100bn in FX swaps) are driving up both the total fiscal deficit (7.4% of GDP in 1H15 and 8.1% of GDP in the last twelve months) and the gross public debt (63% of GDP in June).

### Colombia - The urban unemployment rate stood at 9.7% in June

In June the urban unemployment rate fell with respect to last year (-1pp YoY). The fall in the unemployment rate was explained by a reduction in the labour force participation rate (-0.5 percentage points YoY) greater than the increase in the occupation rate (0.2 percentage points YoY). In urban terms we observed a slowdown in job-creation in 2Q15 (2.1% YoY) with respect to 1Q15 (3.6% YoY). This reflected the fact that the sectors with the largest share in urban employment (retail, government activities and manufacturing) did not create jobs in 2Q15 (YoY). The dynamics of job-creation are in line with the slowdown in activity.

### Colombia - BanRep kept its monetary policy rate on hold on a majority vote

In July's meeting, BanRep's Board kept its monetary policy rate unchanged in a split vote. During the press conference, the central bank's Managing Director, José Darío Uribe, mentioned that the decision was taken by majority, with some members voting for rate increases. In our view, there are two major changes versus the previous meeting. On the one hand, BanRep revised its 2015 GDP growth forecast downwards to 2.8% from 3.2% before. On the other hand, the Board expects a slower convergence of inflation towards the target range as a result of the food price dynamics and the exchange-rate pass through.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FGV CPI IPC-S	3 August	1-Jul	0.54%		--	0.61%
Markit Brazil PMI Manufacturing	3 August	Jul	--		--	48.50
Trade Balance Monthly	3 August	Jul	\$2,300M	\$2,300M	--	\$4,527M
Vehicle Sales Fenabrave	3 August - 5 August	Jul	--		--	212,535
FIPE CPI - Monthly	4 August	Jul	--		--	0.47%
Industrial Production MoM	4 August	Jun	-0.60%	-0.7%	--	0.80%
CNI Capacity Utilization (SA)	4 August	Jun	--		--	80.10%
COPOM Monetary Policy Meeting Minutes	6 August				--	
National Unemployment Rate	6 August	Jun	--		--	8.10%
Vehicle Production Anfavea	6 August	Jul	--		--	184,015
FGV Inflation IGP-DI MoM	7 August	Jul	--		--	0.88%
IBGE Inflation IPCAMoM	7 August	Jul	--	0.50	--	0.79%
<b>Chile</b>						
Economic Activity YoY	5 August	Jun	2.30%		--	0.80%
CPI MoM	7 August	Jul	0.30%		--	0.50%
Trade Balance	7 August	Jul	--		--	\$783M
<b>Colombia</b>						
Colombian Central Bank Presents Quarterly Int	3 August				--	
Economic Activity Index SA YoY	3 August	May	--	3.5%	--	3.80%
PPI Domestic MoM	4 August	Jul	--		--	0.89%
Exports FOB	5 August	Jun	--	\$3,272M	--	\$3359.3M
CPI MoM	6 August	Jul	0.07%	0.14%	--	0.10%
<b>Mexico</b>						
Markit Mexico PM Mfg	3 August	Jul	--		--	52.00
Vehicle Domestic Sales AMIA	3 August - 5 August	Jul	--		--	106,890
Gross Fixed Investment	4 August	May	--	2.50	--	5.30%
Consumer Confidence Index	6 August	Jul	--		--	94.70
Vehicle Production AMIA	6 August - 10 August	Jul	--		--	308,894
CPI MoM	7 August	Jul	0.16%	0.16%	--	0.17%

Fuente: BBVA Research

## Most recent Latam reports

Date	Description
08.01.2015	<a href="#">Mexico: Peso back to 16 influenced by worse-than-expected data in the US</a>
07.30.2015	<a href="#">Chile: IMACEC to grow between 2.2% and 2.7% YoY in June</a>
07.30.2015	<a href="#">Mexico: Monetary policy rate on hold</a>
07.30.2015	<a href="#">Mexico: Monetary policy rate on hold in July. Rate hike in September is still in the cards</a>
07.24.2015	<a href="#">Chile: We expect inflation to reach 0.3% MoM (4.5% YoY) in July</a>
07.24.2015	<a href="#">Mexico: Activity grows slightly; inflation and peso bottom out</a>
07.23.2015	<a href="#">Colombia: Portfolio quality and economic cycle</a>
07.20.2015	<a href="#">Mexico: Home loan advances 20% in May</a>
07.17.2015	<a href="#">Mexico: We expect services to have spurred the growth in activity in May</a>
07.15.2015	<a href="#">Peru: Economic activity slows down in May</a>
07.13.2015	<a href="#">Chile: Central Bank of Chile keeps MPR at 3% as expected</a>
07.10.2015	<a href="#">Colombia: Client presentation on real estate in Santa Marta</a>
07.10.2015	<a href="#">Mexico: Inflation touches record low; industrial production shows weakness</a>
07.10.2015	<a href="#">Peru: Monetary dilemma remains; activity, exchange rate, inflation?</a>



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