

LatAm Daily | Colombian BanRep kept rates on hold in split decision

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August inflation in Brazil decelerated slightly, in line with consensus and shoring up COPOM's strategy. Meanwhile, Peru's central bank reduced its cap on FX derivative operations by USD250mn to USD1bn, to lessen depreciation pressures.

Colombia - BanRep kept its monetary policy rate on hold at 4.50% in a split decision

At the August meeting, BanRep's Board kept its monetary policy rate unchanged in a split decision. During the press conference, the central bank's Managing Director, José Dario Uribe, mentioned that the decision was taken by majority, adding that the details regarding the CB's Board discussion will be presented in the minutes. In this challenging outlook for monetary policy decisions, we think that the key elements to assess BanRep's Board stance will be the external accounts adjustment to lower GDP growth, consumer confidence, inflation expectations and the inflation convergence speed towards the inflation target. All in all, after assessing the balance of risks, we think that the most likely scenario is that BanRep will keep its interest rate on hold for the rest of 2015.

Brazil - Inflation decelerated in August as widely expected

Inflation IPCA-15 slowed in August, rising 0.43% MoM (in line with expectations), while the cumulative 12-month index rose 9.57% YoY. The increase was mainly due to food and beverages (+0.45%) and administered prices. Meanwhile, transport surprised to the downside, falling 0.46% in the period. All in all, the print bolsters the COPOM's strategy when it pledged to fight inflation.

Peru - Central bank tightens FX derivatives operations

The monthly cap on FX derivatives operations has been cut to USD1bn (previously: USD1.2bn) and will be effective from September; the weekly cap, on the other hand, has been reduced to USD250mn (previously: USD350mn) and will be effective from 24 August. Any excess over these limits will be penalised with an additional reserve requirement of 200% (previously: 100%). The goal of this measure is to subdue depreciation pressures on the domestic currency.

What to watch today

Mexico - Inflation (first half of August, 09:00hrs NYT)

For the first two weeks in August, we estimate a fortnightly rise of 0.15% for headline inflation and of 0.13% for core. If our predictions prove right, in annual terms headline inflation would be 2.67%, whereas core would have edged down to 2.30% (compared to 2.32% for the previous fortnight). We still expect the exchange-rate pass-through to inflation to remain moderate, largely because of the economic slack which is likely to continue to allow the rise in goods inflation to be at least partially offset by a favourable performance of the services component. Over this fortnight, the seasonal decrease in tourist services due to end of the peak summer holiday period will be partly offset by an increase in non-food core goods following the end of the summer sales.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	24 August	Aug 23	--		--	0.36%
FGV Consumer Confidence	25 August	Aug	--		--	82
National Unemployment Rate	25 August	Jun	8.20%		--	8.10%
Current Account Balance	25 August	Jul	--		--	-\$2547M
Foreign Direct Investment	25 August	Jul	--		--	\$5398M
Total Outstanding Loans	26 August	Jul	--		--	\$3102B
Central Govt Budget Balance	27 August	Jul	--		--	-\$8.2B
CNI Consumer Confidence	27 August	Aug	--		--	97.9
FGV Inflation IGPMIMbM	28 August	Aug	--		--	0.69%
GDP QoQ	28 August	2Q	-1.80%		--	-0.20%
Primary Budget Balance	28 August	Jul	--		--	-\$9.3B
Nominal Budget Balance	28 August	Jul	--		--	-\$36.3B
Net Debt % GDP	28 August	Jul	--		--	34.5%
Chile						
Central Bank's Traders Survey	26 August	--	--		--	--
Central Bank Meeting Minutes	28 August	--	--		--	--
Colombia						
Retail Confidence	24 August	Jul	--	13	--	20.6
Industrial Confidence	24 August	Jul	--	3	--	0.1
Mexico						
Bi-Weekly CPI	24 August	Aug 15	0.17%	0.15%	--	0.08%
Bi-Weekly Core CPI	24 August	Aug 15	0.13%	0.13%	--	0.06%
Bi-Weekly CPI YoY	24 August	Aug 15	2.69%	2.67%	--	2.72%
Current Account Balance	25 August	2Q	--		--	-\$9446M
Trade Balance	27 August	Jul	--	-\$1590M	--	-\$749.0M
Unemployment Rate NSA	28 August	Jul	--		--	4.41%
Unemployment Rate SA	28 August	Jul	--		--	4.39%
Budget Balance YTD	28 August	Jul	--		--	-\$345.0B

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
08.21.2015	Colombia: BanRep kept rates on hold on a majority vote
08.21.2015	Mexico: Exchange rate at all-time highs
08.20.2015	Mexico: GDP growth increased in 2Q15 slightly above than expected, 2.2% annual
08.19.2015	Mexico Economic Outlook
08.18.2015	Chile: Figures in national accounts in 2Q15 confirm slower activity
08.15.2015	Peru: GDP growth surprises positively
08.15.2015	Mexico: We expect the GDP to have grown 2% YoY in 2Q15
08.14.2015	Peru: CB raises concerns around inflation
08.13.2015	Chile: CB keeps MPR at 3% and expects inflation high
08.13.2015	Chile: With little room: public expenditure growth in 2016 around 4,6%
08.13.2015	Brazil Economic Outlook (Presentation)
08.13.2015	Brazil Economic Outlook
08.09.2015	LatAm Economic Outlook (Presentation)
08.09.2015	LatAm Economic Outlook
08.06.2015	Colombia Economic Outlook (Presentation)
08.06.2015	Chile Economic Outlook (Presentation)

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