

## LatAm Daily | The surprise in Colombian inflation implies an upward bias to our forecast

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*Colombian inflation reaches its highest rate at 4.74% YoY above expectations (BBVAe: 4.53% YoY). This could increase the hawkish tone among some BanRep board members. Despite the discussion, we stick to our call of no change in the MPR in September. Today we will be watching out for the Chilean indicators: monthly economic activity, wages and trade balance.*

### Colombia - Inflation rate hits six-year high as food prices climb

The annual inflation rate climbed to its highest level in six years in August, on the back of a sharp increase in food prices and to a lesser extent on the rise in transport costs and gas tariffs. Inflation stood at 4.74% on a YoY basis and 0.48% on a MoM basis, topping market expectations (BBVAe: 0.3%, Bloomberg: 0.2%). Non-food inflation stood at 4.2%, 20 bp above July's figure; this indicator has been rising steadily since October 2014, mainly due to the exchange rate depreciation and its effect on the prices. This result not only implies an "upward" bias to our inflation forecast, but will also increase the hawkish tone among some BanRep board members. However, we stick to our call of no change in the policy rate in September: the outlook of low oil prices, declining consumer confidence, the poor performance of the industry, and weak external conditions anticipate a sluggish demand that certainly will help inflation to return to Banrep's target range.

### Colombia - central bank minutes

BanRep's board published the minutes for its August meeting. According to the minutes, the members of the board highlighted that the Colombian economy has received a very strong shock associated with the fall in oil prices, reducing growth and increasing inflation in the short term. The minutes continued to show that there are three discussion groups inside the board. One group, with a relatively neutral stance, highlighted the importance of assessing new information regarding economic dynamics. Another group seems to be more concerned about GDP growth displaying a clearly dovish stance, and one final group, focused on the inflation outlook and low real interest rates, explicitly suggest the need for a 25bp increase in the policy rate in order to prevent expectations from becoming unanchored.

## What to watch today

### Chile - Monthly economic activity index (July, 07:30hrs NYT)

We expect the Imacec to have grown around 2.0% YoY in July (-0.4% MoM SA). The figure should be driven by positive contributions from retail sales and manufacturing output.

### Chile - Real and nominal wages index (July, 07:30hrs NYT)

We estimate real wages to post another negative monthly figure in July, while in nominal terms we believe wages should decelerate to a figure below 6% YoY. In this context, household consumption should remain weak in the coming months.

### Chile - Trade balance (August, 08:00hrs NYT)

We expect the trade balance to register a slight positive figure of around USD100mn in August. However, the figures should still reveal weakness in both domestic and external demand.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FGV CPI IPC-S	8-sep	1-sep	0.24			0.22%
COPOM Monetary Policy Meeting Minutes	10-sep					
IBGE Inflation IPCA MoM	10-sep	Aug	0.25	0.30		0.62%
<b>Chile</b>						
Economic Activity YoY	7-sep	Jul	2.00	2.00		
Economic Activity MoM	7-sep	Jul	-0.30	-0.40		0.75%
Trade Balance	7-sep	Aug	100.00			10.87
Nominal Wage MoM	7-sep	Jul		--		0.20%
Vehicle Sales Total	7-sep	Aug		--		22247
CPI MoM	8-sep	Aug	0.50	0.40		0.40%
CPI YoY	8-sep	Aug	4.80	4.70		4.60%
Central Bank's Traders Survey	9-sep			--		
Central Bank's Economist Survey	10-sep			--		
<b>Colombia</b>						
Civil Works Payments (YoY)	10-sep	2Q		8.40		6.90%
GDP QoQ	11-sep	2Q	0.50	1.00		0.80%
GDP YoY	11-sep	2Q	2.90	3.50		2.80%
<b>Mexico</b>						
Vehicle Production AMIA	7-sep	Aug				254312
CPI MoM	9-sep	Aug	0.24	0.24		0.15%
CPI Core MoM	9-sep	Aug	0.20	0.18		0.17%
CPI YoY	9-sep	Aug	2.62	2.62		2.74%
ANTAD Same-Store Sales YoY	9-sep	Aug	6.00			6.80%
Nominal Wages	10-sep	Aug				4.78%
Industrial Production NSA YoY	11-sep	Jul	0.50			1.35%
Industrial Production SA MoM	11-sep	Jul	-0.10			0.23%
<b>Peru</b>						
Trade Balance	9-sep	Jul	-389.00			23M
Reference Rate	11-sep		3.25			3.25%

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
09.02.2015	<a href="#">Mexico: Private sector credit increased 10.7% in July</a>
09.01.2015	<a href="#">Peru: Inflation continued to accelerate in August</a>
09.01.2015	<a href="#">Chile: Public expenditure increased by 8.9% in July</a>
09.01.2015	<a href="#">Mexico: Remittances reached the highest growth rate of the year in July (11.7%)</a>
08.31.2015	<a href="#">Chile: Transitory factors could lead the IMACEC below 2% in July</a>
08.31.2015	<a href="#">Chile: Investment in non-mining exporting sectors</a>
08.28.2015	<a href="#">Peru: Private expenditures maintained fragile in 2Q15</a>
08.28.2015	<a href="#">Chile: MPR Minutes CB considers sorpresive option of rise in MPR</a>
08.25.2015	<a href="#">Chile: And if there were a central bank intervention, what form would it take?</a>
08.24.2015	<a href="#">Chile: We expect inflation to grow 0.4% MoM in August</a>
08.21.2015	<a href="#">Colombia: BanRep kept rates on hold on a majority vote</a>
08.21.2015	<a href="#">Mexico: Exchange rate at all-time highs</a>
08.20.2015	<a href="#">Mexico: GDP growth increased in 2Q15 slightly above than expected, 2.2% annual</a>

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