

LatAm Daily | Surprise hike in the MPR in Peru of 25bp in September

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The CB unexpectedly raised the MPR to 3.5% due to the risk of de-anchoring inflation expectations; we expect another 25bp hike in the rest of the year. The Colombian economy grew 3% in 2Q15, slightly above the previous quarter; we expect an orderly moderation going forward. Inflation eased in August in Brazil and the COPOM sees it converging to its target in 2016.

Peru - Central Bank surprises with a 25bp rate hike in September

The central bank surprisingly raised the policy rate in September to 3.50%. The risk of inflation expectations de-anchoring were behind this decision. The optimistic output growth outlook the CB foresees gave room for this hike. The same line of reasoning leads us to anticipate that there will be another 25bp rate hike in 4Q15. (For more details, see our [Peru Flash](#) in Spanish).

Brazil | COPOM sees 2016 inflation converging towards the target, but also important risks

The Monetary Policy Committee (COPOM) lowered its inflation forecast for 2016 in its baseline scenario. It now expects inflation to converge to 4.5%. Even though 2016 inflation is still above the target in the alternative scenario, which takes market forecasts as inputs, the convergence of inflation in the baseline scenario certainly supported COPOM's decision to leave the Selic rate unchanged at 14.25% last week. This downward revision is related to a more negative view on both domestic and global activity, something that was made explicit many times in today's minutes. In any case, the COPOM emphasised that the balance of risks has suffered some deterioration. All in all, the minutes support our view that the Selic rate will remain at 14.25% for some time. However, they also show that further fiscal slippages or additional exchange rate depreciation could trigger extra doses of monetary tightening. (For more details, see our [Brazil Flash](#)).

Brazil | Inflation eases in August

Inflation figures (0.22% MoM, 9.53% YoY) surprised somewhat to the downside in August (BBVA forecasts: 0.30% MoM, 9.61% YoY; consensus: 0.25% MoM, 9.56% YoY). On the one hand, monthly inflation recorded the lowest figure in the year and on the other, annual inflation declined following seven consecutive months of increases. The decline in annual inflation, however, was very slight, to 9.53% YoY from 9.56% YoY in July. August inflation figures benefited from lower pressures from both food and administered prices. The former remained unchanged (0.0% MoM) to some extent thanks to positive seasonality while the former increased "only" 0.32% MoM after having jumped 1.18% MoM in July as the process of realignment of regulated prices is (finally) coming to an end. We expect inflation to continue to moderate gradually going forward and to close 2015 and 2016 at 9.2% YoY and 5.5% YoY, respectively (for more details, see our [Brazil Flash](#)).

Colombia - The slowdown of the Colombian economy remains orderly

GDP growth in the second quarter of 2015 was 3.0% YoY, slightly above the figure of the previous quarter. Quarter-on quarter growth was 0.6%. This time, the contribution of the mining sector was very important (4.2% YoY) due to higher oil production. Also, the construction sector maintained its outstanding

performance (8.7% YoY), with civil works and edifications expanding at a similar rate. In contrast, the industrial sector was the only sector with negative figures (-1.3% YoY), reflecting the slow pace of the manufacturing recovery, even in a context of sustained real devaluation. In the coming quarters, we expect a further deceleration of retail and other services sectors that would be offset by the positive numbers from the industrial sector and the beginning of the first wave of infrastructure projects (4G programme). (For more details, see our [Colombia Flash](#) in Spanish).

What to watch today

Mexico - Industrial production (July, 09:00hrs NYT)

We expect the industrial production to have risen 0.2% MoM sa in July. This growth would be the result of a monthly expansion of the mining (1.6%) and manufacturing (0.2%) sectors, and a decrease in the construction (-1.2%) and utilities sectors (-0.3%).

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV CPI IPC-S	8-sep	1-sep	0.24		0.21	0.22%
COPOM Monetary Policy Meeting Minutes	10-sep					
IBGE Inflation IPCA MoM	10-sep	Aug	0.25	0.30	0.22	0.62%
Chile						
Economic Activity YoY	7-sep	Jul	2.00	2.00	2.54	2.56%
Economic Activity MoM	7-sep	Jul	-0.30	-0.40	0.13	0.75%
Trade Balance	7-sep	Aug	100.00		-61.51	10.87
Nominal Wage MoM	7-sep	Jul			1	0.20%
Vehicle Sales Total	7-sep	Aug			24374	22247
CPI MoM	8-sep	Aug	0.50	0.40	0.7	0.40%
CPI YoY	8-sep	Aug	4.80	4.70	5	4.60%
Central Bank's Traders Survey	9-sep					
Central Bank's Economist Survey	10-sep					
Colombia						
Civil Works Payments (YoY)	10-sep	2Q		8.40	8	6.90%
GDP QoQ	11-sep	2Q	0.50	1.00		0.80%
GDP YoY	11-sep	2Q	2.90	3.50		2.80%
Mexico						
Vehicle Production AMIA	7-sep	Aug			292271	254312
CPI MoM	9-sep	Aug	0.24	0.24	0.21	0.15%
CPI Core MoM	9-sep	Aug	0.20	0.18	0.2	0.17%
CPI YoY	9-sep	Aug	2.62	2.62	2.59	2.74%
ANTAD Same-Store Sales YoY	9-sep	Aug	6.00		7.8	6.80%
Nominal Wages	10-sep	Aug			4.55	4.78%
Industrial Production NSA YoY	11-sep	Jul	0.50			1.35%
Industrial Production SA MoM	11-sep	Jul	-0.10			0.23%
Peru						
Reference Rate	11-sep		3.25			3.25%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
09.11.2015	Peru: Central Bank surprises in September by delivering a 25bp policy rate hike
09.10.2015	Colombia: The slowdown of the Colombian economy remains orderly (In Spanish)
09.10.2015	Brazil: Copom sees 2016 inflation converging to the target, but also important risks
09.10.2015	Brazil: Inflation eased in August
09.10.2015	Mexico: The 2016 budget package reduces spending and promotes savings (In Spanish)
09.08.2015	Chile: CPI inflation surprisingly increased 0.7% MoM in August
09.07.2015	Chile: July IMACEC (2.5% YoY) in line with stabilization of growth (In Spanish)
09.07.2015	Colombia: An upward surprise in food prices removes inflation from its target (In Spanish)
09.02.2015	Mexico: Private sector credit increased 10.7% in July
09.01.2015	Peru: Inflation continued to accelerate in August
09.01.2015	Chile: Public expenditure increased by 8.9% in July
09.01.2015	Mexico: Remittances reached the highest growth rate of the year in July (11.7%)
08.31.2015	Chile: Transitory factors could lead the IMACEC below 2% in July

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