

LatAm Daily | MP minutes in Chile reveal a dovish stance in the medium term

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Concerns about high inflation and expectations as well as slow growth in activity explain policy options considered in the last MP meeting where CB decided to maintain MPR. Colombian economic activity index grew above expectations and could anticipate a robust growth of construction sector. Today industrial production in Brazil -expected to drop again- will be released.

Chile - Monetary policy minutes reflect moderation of extreme views of normalisation despite one dissenting vote

The September monetary policy minutes revealed as policy options both an increase in rates of 25bp and a pause at 3%. Concerns about the persistence of annual inflation figures above 4% and their impact on long-term inflation expectations continues, with especial consideration given to upwards surprises in short-term inflation figures. Also, the Board highlighted the slow growth in activity due to the slack in demand in a context of low confidence, but nonetheless pointed to the resilience of the labour market figures, particularly the still low unemployment-rate. Finally, the minutes showed that, due to the overreaction of asset prices to the hawkish message of the latest monetary policy communiqué, the most prudent option was a pause in rates emphasising that normalisation will be of a 50 to 75bp increase, at most, in line with the base scenario depicted in the last monetary policy report. The latter we interpreted as a clear attempt to moderate the extremes views regarding a higher terminal interest rate over the normalisation horizon, even though one Board member voted for the 25bp increase option (see our [Chile Flash](#) in Spanish for details).

Colombia - A surprisingly high growth of the economic monitoring indicator

In July, the economic monitoring index grew 3.7% YoY (BBVAe: 2.9%, Consensus: 2.9%), the highest inter-annual figure since September 2014. This performance is at odds with the recent deterioration of both consumer and retailer confidence and with the low values in non-mining exports. However, the figure could be anticipating a robust growth of the construction sector, even higher than the rate expected by us.

Peru - Inflation surprised to the upside in September

In September inflation reached 0.03% MoM, below our expectations and the consensus (BBVA: 0.11%; Consensus: 0.22%). Consequently, annual inflation settled at 3.9%, lower than in the previous month (August: 4.0%). September's print reflected the reduction in regulated telephone tariffs, lower fuel prices, and the relative stability of food prices. Going forward, we expect YoY inflation to remain around its current level for the rest of the year on the back of further domestic currency depreciation, albeit at a more moderate pace than in previous months, and the impact of El Niño on some prices, closing 2015 somewhat above 4.0%. (See our Peru flash in Spanish for details).

What to watch today

Brazil - Industrial production (August, 8:00hrs NYT)

We expect industrial production to drop again in August (around 0.5% MoM) after having declined 1.5% in July, reinforcing the signs of economic weakness, due among other reasons, to the abnormally high levels of uncertainty.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV Inflation IGPM MoM	29-sep	Sep	0.80		0.95	0.28
National Unemployment Rate	29-sep	Jul	8.50		8.6	8.3
Primary Budget Balance	30-sep	Aug	-12.40		-7.31	-10.019
FGV CPI IPC-S	1-oct	Sep	0.45		0.42	0.35
Trade Balance Monthly	1-oct	Sep	2450		2944	2689
CNI Capacity Utilization (SA)	1-oct	Aug			77.9	78.6
Industrial Production MoM	2-oct	Aug	-1.60	-0.5		-1.5
CNI Consumer Confidence	2-oct	Sep				98.9
Chile						
Unemployment Rate	30-sep	Aug	6.70	6.8	6.5	6.6
Manufacturing Production YoY	30-sep	Aug	0.50	1.2	-1.41	0.72
Retail Sales YoY	30-sep	Aug	2.40	2	1.85	2.9
Copper Production Total	30-sep	Aug				455083
Industrial Production YoY	30-sep	Aug	-0.15		-5.17	-1.68
Colombia						
Vehicle Sales	29-sep	Aug				22192
Urban Unemployment Rate	30-sep	Aug	8.98	8.9	9.94	9.01
National Unemployment Rate	30-sep	Aug			9.09	8.84
Economic Activity Index SA YoY	1-oct	Jul	2.75	2.9	3.7	3.1
Mexico						
Unemployment Rate SA	28-sep	Aug	4.30		4.32	4.31
Net Outstanding Loans	30-sep	Aug			2905.8	2859.2
Leading Indicators (MoM)	1-oct	Aug			-0.13	-0.09
Remittances Total	1-oct	Aug	2182	2185	2266.4	2231.8
IMEF Manufacturing Index SA	1-oct	Sep	51.50		50.1	51.794
IMEF Non-Manufacturing Index SA	1-oct	Sep	50		49.34	49.489
Vehicle Domestic Sales AMIA	2-oct	Sep				112038
Gross Fixed Investment	2-oct	Jul	4.50	4.4		8.6
Peru						
CPI YoY	1-oct	Sep	4.13		3.9	4.04
CPI MoM	1-oct	Sep	0.25		0.03	0.38

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
10.02.2015	Peru: Inflation surprised on the upside in September
10.02.2015	Mexico: Remittances reach maximum growth & record of year, +13.1% & 2,266.4 million USD
10.02.2015	Mexico: Positive results in Phase 2 of Round 1 from better tendering process & contracts
10.01.2015	Chile: Minutes reveal that the CB Board aims to moderate expectations of rate hikes (In Spanish)
10.01.2015	Colombia: The unemployment in August is starting to reflect the economic slowdown (In Spanish)
09.30.2015	Chile: Indicators by sector point to a low Imacec in August at 2% YoY (In Spanish)
09.30.2015	Peru: Exports remained weak in August (In Spanish)
09.29.2015	Mexico: In July, mortgage lending grew 17%
09.28.2015	Chile: September CPI would increase 0.6% MoM (4.8% YoY) (In Spanish)
09.26.2015	Mexico: The IGAE shows weakness at the start of the third quarter
09.26.2015	Colombia: BanRep increased its monetary policy rate by 25bp to 4.75% (In Spanish)
09.24.2015	Brazil: The BCB's plan is still to keep interest rates unchanged
09.24.2015	Mexico: Banking deposits moderate growth was maintained in July

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