

LatAm Daily | Chilean CB increased MPR by 25bp to 3.25%

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Brazil's sovereign rating was downgraded by Fitch, to just one notch above high-yield due to the worse economic situation and the negative outlook was maintained. In Peru, economic activity in August grew below expectations and the CB held October MPR at 3.5%.

Brazil - Fitch downgrades Brazil to the last step within the investment-grade range and maintains the negative outlook

Not surprisingly, Fitch revised Brazil's sovereign rating to BBB- from BBB, just one notch above high-yield due to the severe worsening of the economic situation (especially due to the concerns on the rapid growth of public debt) and political turbulence. The rating action reinforces our view that a second agency -either Fitch or Moody's which has also put Brazil at the worst level within the investment-grade zone- will cut Brazil's rating to high-yield in the next year (for more details on our view about Brazil and its rating dynamics see [our Economic Watch note](#)).

Chile - Central bank increases policy rate to 3.25%

The CB increased the policy rate by 25bp to 3.25% and maintained the hawkish tone at yesterday's meeting. Nonetheless, the communiqué highlighted that the pace of withdrawal will be more data dependent. In this context and given the recent developments in the macroeconomic context, both at a local and external level, we still believe that the policy normalisation will be no more than another 25bp increase in rates, that should be implemented before the release of the next Monetary Policy Report in December (see our [Chile Flash](#) in Spanish for details).

Colombia - Consumer confidence turns positive, but remains low

In September, consumer confidence stood at 4.3 (in a range between -100 and 100). The assessment of the country's prospects is less pessimistic, meanwhile the valuation of household economic conditions recovered significantly. The willingness to buy cars and durable goods remains in negative territory, but it presented some improvements compared to a month ago. All in all, the low level of consumer confidence continues to suggest a slowdown in private consumption in the coming quarters, but more moderate than anticipated by the negative confidence registered in August.

Peru - GDP in August was lower than expected

Real GDP in August grew 2.6% YoY, below expectations (BBVA: 3.1% and consensus: 3.0%). August's output growth was driven by a strong performance of the primary industries (particularly mining). Construction, however, slowed down with respect to the previous couple of months.

Peru - The central bank keeps the policy rate on hold

Unsurprisingly, in October the central bank kept the policy rate on hold at 3.50%. Both transitorily subdued inflationary pressures and the recent negative surprise in output growth explained this decision. We do not expect any rate change in November, but we cannot rule out a tightening thereafter due to the impact the El Niño weather phenomenon could have on the pace at which prices increase, something which could in turn cause inflationary expectations to rise even further.

What to watch today

Brazil - Economic activity indicator (August, 7:30hrs NYT)

The contraction of industrial production and retail sales, amongst other indicators, suggests that economic activity contracted in August, following a relatively stable reading in July. More specifically, we expect the IBC-Br to contract 0.4% MoM in August.

Colombia - Industrial production and retail sales (August, 17:00hrs NYT)

We expect industrial production to have grown 3.0% YoY. The Cartagena refinery should not contribute negatively to growth in this month or going forward. The other groups of products could show a slow recovery, in part due to a partial substitution of imports boosted by the real's devaluation. On the other hand, retail sales could grow 2.5% YoY, impacted by the sharp contraction in car sales in the month. In conclusion, the industrial production and the retail sales are reflecting two different trends: a slow recovery in the manufacturing sector and a moderation in commerce.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Retail Sales MoM	14-Oct	Aug	-0.60%	-0.70%	-0.90%	-1.00%
Formal Job Creation Total	15-Oct	Sep	-59564			-86543
Tax Collections	15-Oct	Sep	94500			93738m
Economic Activity MoM	16-Oct	Aug	-0.55%	-0.40%		-0.02%
FGV Inflation IGP-10 MoM	16-Oct	Oct	1.75%			0.61%
FGV CPI IPC-S	16-Oct	Oct	0.71%			
Chile						
Central Bank's Economist Survey	13-Oct					
Central Bank's Traders Survey	14-Oct					
Overnight Rate Target	15-Oct	Oct	3.25%	3.00%	3.25	3.00%
Colombia						
Vehicle Sales	13-Oct	Aug				23001
Consumer Confidence Index	15-Oct	Sep		2	4.3	-0.4
Retail Sales YoY	16-Oct	Aug	3.00%	2.50%		4.50%
Industrial Production YoY	16-Oct	Aug	1.00%	3.00%		0.30%
Mexico						
Industrial Production NSA YoY	12-Oct	Aug			1.02%	0.70%
Formal Job Creation Total	12-Oct	Sep			117.64	72.4k
Peru						
Unemployment Rate	15-Oct	Sep	6.40%		6.40%	6.10%
Economic Activity YoY	15-Oct	Aug	3.00%	3.10%	2.57%	3.30%
Reference Rate	15-Oct	Oct	3.50%	3.50%	3.50%	3.50%

Source: Bloomberg and BBVA Research

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10.15.2015	Chile: Central bank increases the MPR to 3.25%, maintaining the contractionary bias (In Spanish)
10.15.2015	Peru: GDP growth in August was lower than expected (In Spanish)
10.14.2015	Chile: Complicated monetary policy decision (In Spanish)
10.12.2015	Peru: Transpacific agreement benefits still pose implementation challenges (In Spanish)
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10.06.2015	Colombia: Sharply rise in food prices pushes inflation up
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