

LatAm Daily | Policy rate hike in Peru due to higher inflation and inflation expectations

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High inflation and inflation expectations were the factors behind the decision to increase the MPR to 3.75%, and we do not rule out another hike in the coming months. In Colombia, GDP grew above expectations in 3Q15 mainly due to retail and some services to households. The economic expectation survey in Chile anticipates a rate pause in the next monetary policy meeting.

Peru - High inflation expectations lead the Central Bank to taper the monetary stimulus

The Central Bank raised its policy rate to 3.75%. High inflation and inflation expectations, both above the target range, were behind this decision. Inflation will keep accelerating in the coming months and this would probably prevent inflation expectations from easing. Hence, we would not be surprised if there are additional policy rate hikes in the short term. [For more details see our [Peru flash](#) in Spanish.]

Colombia - The good GDP result in the third quarter will be temporary

The Colombian economy grew 3.2% YoY in the third quarter of 2015, the best YoY growth this year (consensus: 3.3; BBVAe: 2.5). The positive contributions came from the sectors most closely linked to household consumption, such as retail and some services to households. The manufacturing sector, meanwhile, registered the first positive variation of the year. This slow recovery process will be consolidated once the Cartagena refinery is working at full capacity in 2Q16. In contrast, mining returned to negative territory, due to lower oil and coal production. Finally, unlike previous quarters, construction grew less than total GDP. Looking ahead, in 2016, GDP growth will be lower than 2015. Our current forecast for next year is an increase of 2.4%. We believe the further slowdown should come from household consumption (retail, restaurants), construction of civil works, mining, and government consumption.

Chile - Economic expectation survey anticipates another pause in monetary policy normalisation

The results showed inflation expectations at +0.1% MoM for December, while long-term inflation expectations remain anchored to the central bank's target of 3% YoY (both in line with our view). Inflation forecasts for the end of 2016 consider a rate of +3.4% YoY. Meanwhile, GDP growth forecasts for 2015 remained at 2.1% whereas for 2016 they were revised slightly downwards to 2.2% (from 2.3%). In this context, the markets now expect the Imacec to increase around 2.0% YoY in November. Finally, in terms of monetary policy, the survey's results indicated a pause in rates at 3.25% at next week's meeting (as we also expect) but a 25bp increase at January 2016.

What to watch today

Mexico - October's Industrial Production Index (9:00hrs NYT)

INEGI will publish October's industrial production index. We expect that this index will grow 0.4% MoM sa, in that month. The consensus also considers a similar rate of growth. Note that the expected rate of growth of October's industrial production is similar to the level observed in September.

Colombia - BanRep's minutes (1:00 pm NYT)

The central bank will release its last monetary policy meeting minutes. In November, BanRep's Board decided to increase by majority its monetary policy rate 25bp. That said, November's minutes should provide further information regarding the Board's assessment of the current macroeconomic and inflation outlook.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
IBGE Inflation IPCA MoM	9-Dec	Nov	0.95%	0.80%	1.01%	0.82%
Chile						
CPI MoM	7-Dec	Nov	0.10%	0.00%	0.00%	0.40%
CPI YoY	7-Dec	Nov	4.01%	4.00%	3.90%	4.00%
Economic Activity YoY	7-Dec	Oct	1.70%	2.20%	1.54%	2.60%
Economic Activity MoM	7-Dec	Oct	-0.25%	0.20%	0.04%	1.10%
Trade Balance	7-Dec	Nov	\$400.0	\$300.0	\$400.64	-\$170.9
Colombia						
GDP QoQ	10-Dec	3Q	1.10%	0.50%	1.20%	0.60%
GDP YoY	10-Dec	3Q	3.20%	2.50%	3.20%	3.00%
Economic Activity Index SA YoY	10-Dec	Sep	3.80%	2.00%	2.63%	4.00%
Colombia Monetary Policy Minutes	11-Dec					
Civil Works Payments (YoY)	11-Dec	3Q		4.00%		8.00%
Mexico						
Vehicle Production AMIA	7-Dec	Nov			296338.00	326876.00
CPI MoM	9-Dec	Nov	0.60%	0.60%	0.55%	0.51%
CPI Core MoM	9-Dec	Nov	0.07%	0.08%	0.04%	0.25%
CPI YoY	9-Dec	Nov	2.28%		2.21%	2.48%
ANTAD Same-Store Sales YoY	9-Dec	Nov	6.70%		6.00%	9.80%
Industrial Production NSA YoY	11-Dec	Oct	1.00%			1.70%
Industrial Production SA MoM	11-Dec	Oct	0.12%	0.40%		0.40%
Peru						
Reference Rate	11-Dec	Dec	3.75%	3.75%		3.50%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
12.11.2015	Peru: High inflation expectations lead the Central Bank to taper the monetary stimulus
12.10.2015	Colombia: The good GDP result in the third quarter will be temporary (In Spanish)
12.09.2015	Brazil: Double-digit inflation
12.07.2015	Chile: CPI with no monthly variation in November, while activity remain weak in October
12.07.2015	Colombia: November inflation climbs to 6.4%
12.04.2015	Peru: Exports fell nearly 14% yoy in October
12.04.2015	Mexico: The expectation for December interest rate hike is reinforced
12.03.2015	Chile: We expect null variation for November's CPI (4% YoY)
12.03.2015	Chile: Activity by sector data remained weak in October
12.03.2015	Brazil: The risk of further monetary tightening raises as the fiscal situation worsens
12.03.2015	Mexico: Credit to the private sector: maintained growth of 13.3%
12.02.2015	Peru: Inflation resumes upward trend in November
12.01.2015	Mexico: Remittances grow 1.7% in October with a flow of 2,075.9md (In Spanish)
11.30.2015	Chile: October's IMACEC would stand around 2% (In Spanish)
11.30.2015	Chile: Only a negative CPI in November would avoid further increase in the MPR this month (in Spanish)
11.28.2015	Colombia: BanRep increased the repo rate 25bp up to 5.50% as expected
11.27.2015	Mexico: Annual inflation below 2.3%. Next week watch for US jobs data

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