

LatAm Daily | Lower than expected inflation in Chile and Mexico in September

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The downward surprise in Chile supports the view that monetary tightening could be postponed, even though inflation remains above the target range. On the other hand, in Mexico, inflation reached again a new historical minimum. Today, the minutes from the BanRep will be released in Colombia.

Chile - CPI increased 0.5% MoM in September, below consensus expectations

CPI increased 0.5% MoM in September (+4.6% YoY; 4.0% YtD), well below consensus expectations (+0.7% MoM) but near our forecast (+0.6% MoM). The print was driven by increases in foodstuffs (mainly perishables), housing and transportation. Nonetheless, the measure that excludes foods and energy increased +0.5% MoM (+4.9% YoY). Initially, for October's CPI we forecast an increase in a range between +0.2% and +0.3% MoM (+3.8% to +3.9% YoY). All in all, we think the commitment to policy rate normalisation could be postponed at the next monetary policy meeting, given not only the recent negative surprise in inflation but also in aggregate activity during August (see or [Chile Flash](#) in Spanish for details).

Mexico - Inflation remains under control

Headline inflation increased 0.37%, slightly less than our below-consensus forecast (BBVAe: 0.40%, consensus: 0.42%). In contrast, core inflation increased slightly above expectations (BBVAe: 0.35%, consensus: 0.37%), mainly driven by a higher than expected increase in core food goods. In annual terms, headline inflation decreased to 2.52% (from 2.59% in August), reaching its fifth consecutive historical minimum. However, core inflation accelerated to 2.47% from 2.38% in August. We continue to expect headline inflation to reach 2.50% by year-end. The uptick in core inflation is likely to continue for the rest of the year. We now expect core inflation to reach 2.60% by year-end.

What to watch today

Colombia - BanRep's minutes (2:00 pm NYT)

The central bank of Colombia will release the minutes of its September meeting. In September, BanRep's monetary policy committee unanimously decided to increase its repo rate by 25bp. In our view, these minutes will provide further information regarding the Board's assessment regarding of inflation and economic activity dynamics. It is important to note that given the change in the monetary policy stance in September, along with the expected persistence in inflation dynamics, we anticipate an additional 25bp increase during 4Q15 (up to 5.0%).

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Vehicle Production Anfavea	6-Oct	Sep			174240	216465
FGV Inflation IGP-DI MoM	7-Oct	Sep	1.23%		1.42	0.40%
IBGE Inflation IPCA MoM	7-Oct	Sep	0.52%	0.45%	0.54	0.22%
FGV CPI IPC-S	8-Oct	Oct	0.50%		0.63	0.42%
IGP-M Inflation 1st Preview	9-Oct	Oct	0.98%			0.56%
Chile						
Economic Activity YoY	5-Oct	Aug	2.00%	2.00%	1.13%	2.50%
Trade Balance	7-Oct	Sep	-50.00	\$75.0	-84.98	-\$61.5
Copper Exports	7-Oct	Sep			\$2441.73	\$2416.3
International Reserves	7-Oct	Sep			\$38245.37	\$38396
Nominal Wage MoM	7-Oct	Aug		0.20%	0.00%	1.00%
Vehicle Sales Total	8-Oct	Sep				24374
CPI MoM	8-Oct	Sep	0.70%	0.60%	0.50%	0.70%
Colombia						
CPI YoY	5-oct	Sep	5.00%	5.00%		4.74%
CPI Core YoY	5-oct	Sep		4.43%		4.20%
Colombia Monetary Policy Minutes	9-Oct					
Exports FOB	6-Oct	Aug	\$2934	\$2934		\$3001.9
Mexico						
Vehicle Domestic Sales AMIA	5-Oct	Sep			111330	110928
Central Bank Monetary Policy Minutes	5-Oct					
Consumer Confidence Index	6-Oct	Sep	91.50	91.9	90.6	90.4
Vehicle Production AMIA	6-Oct	Sep			278781	292271
CPI MoM	8-Oct	Sep	0.42%	0.40%	0.37%	0.21%
CPI Core MoM	8-Oct	Sep	0.36%	0.35%	0.37%	0.20%
CPI YoY	8-Oct	Sep	2.55%	2.55%	2.52%	2.59%
Nominal Wages	9-Oct	Sep			4.55%	4.60%
Peru						
Trade Balance	9-Oct	Aug			-230.8	-\$424m

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
10.08.2015	Chile: CPI increased 0.5% MoM in September, below consensus expectations
10.07.2015	Brazil: Inflation: stable at high levels and ready to move further up
10.06.2015	Mexico: Credit to private sector grew 11.6% in August driven by consumer & firms credit
10.06.2015	Colombia: Sharply rise in food prices pushes inflation up
10.05.2015	Chile: Imacec weakened to 1.1% YoY in August, missing expectations
10.02.2015	Mexico: Weak employment data in the US reduces the chance of a rate hike soon (In Spanish)
10.02.2015	Colombia: In three decades the country's GDP per capita doubled (In Spanish)
10.02.2015	Colombia: The automotive sector, more than a decade of acceleration (In Spanish)
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)

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