

## LatAm Daily | COPOM in Brazil leaves the Selic rate at 14.25% but alters its strategy

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*As we expected, the COPOM unanimously decided to keep the Selic rate unchanged at 14.25% for a sufficiently prolonged period to ensure that inflation converges to the target in the relevant horizon for monetary policy. October's IPCA-15 was significantly higher than the previous reading. In Mexico, August retail sales increased above forecasts.*

### Brazil - The COPOM maintains the Selic rate but alters its strategy

The Monetary Policy Committee (COPOM) unanimously, and in line with the expectations, decided to keep the Selic rate unchanged at 14.25%. The accompanying statement affirmed that the monetary authority "understands that maintaining the benchmark interest rate at that level [14.25%], for a sufficiently prolonged period, is needed to ensure that inflation converges to the target in the relevant horizon for monetary policy". Therefore, a small but very significant change with respect to the previous meeting was introduced in the communique this time: rather than referring to the end of 2016 the monetary authority preferred to be less precise regarding the convergence timing by employing the expression "relevant horizon for monetary policy". This shows that the COPOM will tolerate inflation above the 4.5% target next year and that it will be more patient to see inflation converging to the 4.5% target. Even though the communique also stated that "monetary policy will remain vigilant" to achieve the abovementioned goal, a more hawkish sign that means that further Selic increases should not be ruled out, we continue to see as the most likely scenario the maintenance of interest rates at 14.25% for a quite a long time.

### Brazil - Inflation rebounded at the beginning of October

The October's IPCA-15, which measures inflation from mid-September to mid-October, reached 9.77% YoY (0.66% MoM), significantly higher than the previous reading (9.57% YoY / 0.39% MoM). The figures were broadly in line with forecasts (BBVA: 9.73%; Consensus: 9.80%). The main contributors to the increase in inflationary pressures at the beginning of October were the adjustment in fuel prices as well as housing and food prices. Yesterday's figures reinforce our expectations that the full-month inflation will jump to 9.80% YoY (0.70% MoM) in October.

### Mexico - August's retail sales index above expectations

August's monthly and annual rate of growth of the retail sales index was 1.5% and 6.3%, respectively. These growth rates were above what the consensus expected (0.5%) and also what we expected (0.7% MoM and 4.8% YoY, sa). This high rate of growth of retail sales may also induce a better than expected performance of private consumption also in August, which also will be reflected in the monthly economic activity index of that month.

## What to watch today

### Brazil - Labour market report (September, 9:00hrs NYT)

We expect the report to show that labour markets continued to slow down in September, reinforcing the prospect of further contraction in both private consumption and GDP in 3Q15. In particular, we expect the unemployment rate to move up and reach 7.8%, from 7.6% in August and 4.9% one year ago.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
Formal Job Creation Total	19-Oct	Sep	-60250			-86543
Tax Collections	19-Oct	Sep	94000			93738m
FIPE CPI - Weekly	20-Oct	Oct	0.81%		0.89%	0.79%
IGP-M Inflation 2nd Preview	20-Oct	Oct	1.73%		1.86%	0.65%
CNI Industrial Confidence	20-Oct	Oct				35.7
IBGE Inflation IPCA-15 MoM	21-Oct	Oct	0.68%	0.63%	0.66%	0.39%
Selic Rate	21-Oct	Oct	14.25%	14.25%	14.25%	14.25%
Unemployment Rate	22-Oct	Sep	7.80%	7.80%		7.60%
Current Account Balance	23-Oct	Sep	-2200			-\$2487m
<b>Colombia</b>						
Trade Balance	20-Oct	Aug	-1370	-\$1220	-1433.6	-\$1757.7
Retail Confidence	22-Oct	Sep		16		17.8
Industrial Confidence	22-Oct	Sep		4.1		2.9
<b>Mexico</b>						
Retail Sales YoY	21-Oct	Aug	4.80%		6.40%	5.80%
Retail Sales MoM	21-Oct	Aug	0.60%		1.50%	0.50%
Bi-Weekly CPI	22-Oct	Oct	0.50%	0.57%		0.00%
Bi-Weekly Core CPI	22-Oct	Oct	0.18%	0.17%		0.10%
Bi-Weekly CPI YoY	22-Oct	Oct	2.53%	2.58%		2.51%
Unemployment Rate NSA	23-Oct	Sep	4.64%			4.68%
Unemployment Rate SA	23-Oct	Sep	4.30%			4.32%

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
10.16.2015	<a href="#">Mexico: Weak US industrial prod. suggests that moderation in Mexico will continue</a>
10.16.2015	<a href="#">Peru: Unsurprisingly, the central bank kept the policy rate at 3,50%</a>
10.15.2015	<a href="#">Chile: Central bank increases the MPR to 3.25%, maintaining the contractionary bias (In Spanish)</a>
10.15.2015	<a href="#">Peru: GDP growth in August was lower than expected (In Spanish)</a>
10.14.2015	<a href="#">Chile: Complicated monetary policy decision (In Spanish)</a>
10.12.2015	<a href="#">Peru: Transpacific agreement benefits still pose implementation challenges (In Spanish)</a>
10.08.2015	<a href="#">Chile: CPI increased 0.5% MoM in September, below consensus expectations</a>
10.07.2015	<a href="#">Brazil: Inflation: stable at high levels and ready to move further up</a>
10.06.2015	<a href="#">Mexico: Credit to private sector grew 11.6% in August driven by consumer &amp; firms credit</a>
10.06.2015	<a href="#">Colombia: Sharply rise in food prices pushes inflation up</a>
10.05.2015	<a href="#">Chile: Imacec weakened to 1.1% YoY in August, missing expectations</a>
10.02.2015	<a href="#">Mexico: Weak employment data in the US reduces the chance of a rate hike soon (In Spanish)</a>
10.02.2015	<a href="#">Colombia: In three decades the country's GDP per capita doubled (In Spanish)</a>

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