

## LatAm Daily | BanRep surprisingly raises its MPR by 50bp to 5.25%

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*In Colombia, BanRep surprisingly increased its MPR to 5.25% due to inflation, its expectations and its slow convergence to the target range. We do not rule out another 25bp hike in 4Q15. At its latest meeting, the Chilean CB debated between an increase and a pause in the MPR. Also, labour market figures revealed resilience and a still low unemployment-rate.*

### Colombia - BanRep increases its repo rate by 50bp to 5.25%

At its October meeting, BanRep's Board surprisingly increased its monetary policy rate by 50bp up to 5.25%. According to the communiqué and the press conference the main drivers behind this decision were the recent dynamics of inflation, inflation expectations, and a slower convergence of inflation to the inflation target range. It is important to note that the recent decisions of the central bank's board reflect their concerns on inflation expectations and the low levels of real policy interest rates. In that context, we anticipate an additional 25bp increase during 4Q15 (up to 5.50%) in our central scenario. On the other hand, BanRep also announced an auction mechanism of call options in order to avoid "unjustified increases of the exchange rate". The auction for the call options will be activated when the exchange rate (TRM produced by Superfinanciera) is 7% above its 20-day-moving average. The call options can be exercised in one month, but in order to do so the TRM must be also above the 20-day-moving average.

### Colombia - Urban unemployment rate stood at 9.7% in September

The unemployment rate for September stood at 9.7% (0.4 percentage points higher than September 2014). The figure represents a deterioration with respect to a year ago, but is in line with our expectations regarding overall economic activity. Although the path of job creation decreased since March 2015, annual job growth was in positive terrain until last month. In September job creation decreased in -0.7% YoY (It is worth mentioning that part of the decline of job creation in is explained by a base effect). The sectors that contribute the most in employment creation continue to be Construction, Real Estate and Retail.

### Chile - Consistency of monetary policy communication prevailed in October's rate increase

The October 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 eased, given the negative surprises in short-term inflation and activity figures. 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. All in all, to be consistent with recent speeches and guidance of the monetary policy communication, the 25bp increase option to 3.25% prevailed unanimously, but emphasising that normalisation will be of a 25 to 50bp additional increase, at most, in line with the base scenario depicted in the latest monetary policy report.

## Chile - Once again the unemployment rate surprises by its resilience

The jobless rate showed a slight decline to 6.4% in September (from 6.5% in August), driven by a 2.3% YoY rise in job-creation (both self-employment and salaried) higher than the 2.0% YoY growth of the labour force. Annual job-creation was driven by public-sector related jobs and also by commerce, hotel and transportation. Reallocation of employment has been successful given the negative contributions from mining and a stable labour force participation rate. Nonetheless, analytical measures reveal an acceleration in involuntary part-time employment (+2.6% YoY), implying weakness in some aspects of job-creation.

## What to watch today

No relevant data is expected for today.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FGV CPI IPC-S	3-Nov	Oct	0.68%			0.67%
Trade Balance Monthly	3-Nov	Oct	1232.5			\$2944m
Industrial Production MoM	4-Nov	Sep	-1.50%	-0.80%		-1.20%
FGV Inflation IGP-DI MoM	6-Nov	Oct	1.61%			1.42%
IBGE Inflation IPCA MoM	6-Nov	Oct	0.79%	0.70%		0.54%
Vehicle Production Anfavea	6-Nov	Oct				174240
<b>Chile</b>						
Economic Activity YoY	5-Nov	Sep	2.20%	2.20%		1.10%
Economic Activity MoM	5-Nov	Sep	0.50%	0.60%		-1.00%
Nominal Wage MoM	5-Nov	Sep				0.00%
CPI MoM	6-Nov	Oct	0.30%	0.20%		0.50%
CPI YoY	6-Nov	Oct	3.90%	3.80%		4.60%
CPI Ex Food and Energy MoM	6-Nov	Oct	0.30%	0.30%		0.50%
<b>Colombia</b>						
Economic Activity Index SA YoY	3-Nov	Aug	3.48%	3.50%		3.70%
Exports FOB	4-Nov	Sep	\$2994	\$3.000		\$2809.1
CPI YoY	6-Nov	Oct	5.60%	5.60%		5.35%
CPI MoM	6-Nov	Oct	0.40%	0.40%		0.72%
CPI Core YoY	6-Nov	Oct				4.58%
CPI Core MoM	6-Nov	Oct				0.49%
<b>Mexico</b>						
IMEF Manufacturing Index SA	2-Nov	Oct	50.15			50.1
IMEF Non-Manufacturing Index SA	2-Nov	Oct	50.2			49.3
Vehicle Domestic Sales AMIA	2-Nov	Oct				111330
Remittances Total	3-Nov	Sep	\$2150			\$2266.4m
Gross Fixed Investment	4-Nov	Aug	3.80%			4.60%
Mexican Central Bank Releases Inflation Report	4-Nov					
Consumer Confidence Index	6-Nov	Oct	90.1			90.6
Vehicle Production AMIA	6-Nov	Oct				278781

Source: Bloomberg and BBVA Research

## Most recent Latam reports

Date	Description
10.29.2015	<a href="#">Brazil: COPOM: the plan is still to leave interest rates unchanged</a>
10.29.2015	<a href="#">Peru: In the third quarter, exports would have recorded its worst drop since 2009</a>
10.29.2015	<a href="#">Mexico: Monetary pause continues. More relaxed tone result of lower economic activity</a>
10.29.2015	<a href="#">Chile: September IMACEC would be 2% YoY (In Spanish)</a>
10.28.2015	<a href="#">Mexico: The chances of a monetary rate hike in December increases</a>
10.27.2015	<a href="#">Mexico: The banking mortgage financing grows 16% for the third consecutive month</a>
10.26.2015	<a href="#">Mexico: In August the annual growth rate of the IGAE was 2.8%, higher than July (2.2%)</a>
10.26.2015	<a href="#">Mexico: We estimate that the economy will have grown around 2.4% annually in Aug.</a>
10.26.2015	<a href="#">Chile: October CPI projected to be 0.24% MoM (3.8% YoY) (In Spanish)</a>
10.22.2015	<a href="#">LatAm: Has exchange rate pass-through to prices increased in Latin America?</a>
10.22.2015	<a href="#">Mexico: Bank deposits, dynamism driven by its two components</a>
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>

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