

## LATAM Market Update

### Colombia: Inflation expectations increased in October

1. According to BanRep's survey of macroeconomic expectations for October, analysts expect inflation at 3.81% y/y for December 2019, 11 bps higher than last month. Longer term inflation expectations did not change. 1Y tenor stood at 3.37%, and 2Y is 3.28%. In our opinion, October's inflation expectations confirm that analysts think that upward headline inflation pressures are temporary.
2. October's monthly inflation, on average, is expected at 0.14% (lower than our expected 0.16% m/m), which brings annual inflation to 3.84%, two bps higher than September's y/y inflation.
3. USDCOP forecasts for 2019 increased to 3382. For December 2020, respondents think (on average) that the COP will end at 3309.
4. BanRep's repo rate will remain at 4.25% for the rest of the year; on average the first rate hike is expected in April 2020. The same is expected by Scotiabank economics.

BanRep's surveys showed an increase in inflation expectations in October, probably due to the upward surprise in September's inflation result. 2019 higher inflation is temporary (according to the survey), as we mentioned before, the recent pick up in headline annual inflation was due to foodstuff prices and a statistical base effect. We think that a rate cut is out of the table within BanRep's Board discussion, on the back of a better economic growth led by investment and private consumption, a wider current account deficit, and the possibility of further increases in inflation expectations in the short term due to recent depreciation.

—Sergio Olarte & Jackeline Piraján

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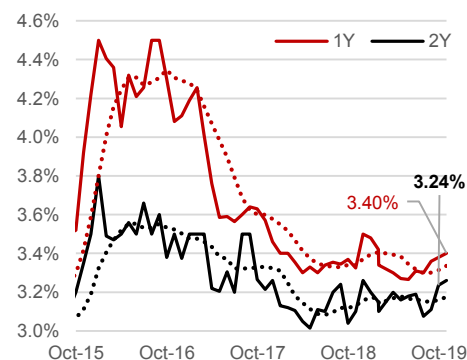
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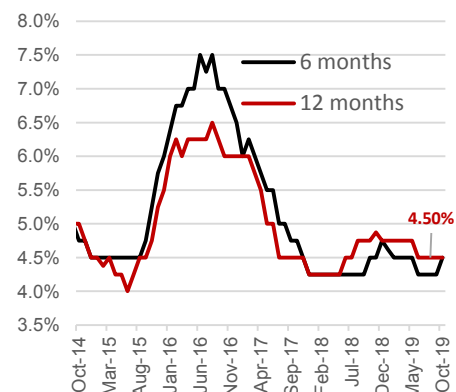
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**Colombia: Headline Inflation Expectations**  
(Average)



Sources: BanRep, Scotiabank.

**Colombia: Policy Rate Expectation**  
(Average)



Sources: BanRep, Scotiabank.

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