

Latam Daily Flash

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Economic Analysis

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In Mexico, consumer and producer confidence indices surprised slightly to the upside in August. Today eyes will be on monetary policy minutes in Brazil that should provide more information about future monetary policy decisions. We expect to see good activity levels in Chile, in line with another pause in the policy rate in September.

Chile - Monetary Policy Report

The last central bank Monetary Policy Report reiterated the need for moderate cuts in the monetary policy rate during the coming months. The bank forecast GDP growth between 4%-4.5% for 2013 (BBVAe: 4.2%), and a 4%-5% range for 2014 (BBVAe: 4.4%). Inflation is forecast to reach 2.6% in 2013 and 2.8% in 2014. In the central bank's baseline scenario, the MPR would be cut by no more than 50bp. Our view is that the MPR will probably reach a level below 4.25% during 2014, with the first cut made during the last months of 2013 (see our [Chile Flash](#) for details).

Mexico - Consumer and producer confidence indices surprised slightly to the upside in August

The consumer confidence index rose slightly in August to 96.1 points from 95.7 in July in seasonally-adjusted terms. Despite the slight improvement seen over the past two months, the trend does not yet reflect a clear recovery and this is consistent with the weakness of the labour market. Meanwhile, the producer confidence index also surprised slightly to the upside, rising from 51.3 points in July to 51.8 in August. The slight improvement is consistent with the recent upside surprises in US industrial production-related data.

What to watch today

Brazil - Monetary policy minutes (07:30hrs NYT)

The minutes of last week's monetary policy meeting should provide more details about the expected decision to hike the Selic rate by 50bp to 9.0% and, more importantly, about future monetary policy decisions. The focus is likely to be on the recent impact of currency depreciation on inflation and the possibility of keeping the pace of the adjustment at 50bp in October.

Chile - Monthly Activity Index (July, 08:30hrs NYT)

We expect the monthly economic activity index (Imacec) to have increased 6.1% YoY in July (+0.7% MoM sa). The print should mainly be driven by dynamic retail sales, mining output and manufacturing production, all of them supported by two additional working days. Overall, we think this figure should still favour the policy rate being maintained in September.

Colombia - Consumer inflation (August, 20:00hrs NYT)

We expect a 0.16% MoM increase in consumer prices (2.34% YoY), with core prices continuing their slow recovery. The monthly increase should be largely explained by the strikes in the agricultural sector translating into a temporary supply shock in food prices (which we expect to be around 0.35% MoM).

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Trade Balance Monthly	02 Sep	Aug	\$1500M	--	\$1226M	-\$1897M
Exports Total	02 Sep	Aug	\$21500M	--	\$21425M	\$20807M
Imports Total	02 Sep	Aug	\$20000M	--	\$20199M	\$22704M
Vehicle Sales Fenabrave	02-04 Sep	Aug	--	--	880	342280
Industrial Production MoM	03 Sep	Jul	-1.30%	--	-2%	1.90%
Industrial Production YoY	03 Sep	Jul	2.55%	--	2%	3.10%
IBGE Inflation IPCA MoM	06 Sep	Aug	0.26%	--	--	0.03%
Chile						
Economic Activity YoY	05 Sep	Jul	5.80%	6.10%	--	4.20%
CPI MoM	06 Sep	Aug	0.30%	0.30%	--	0.30%
Colombia						
PPI MoM	04 Sep	Aug	--	--	0.00%	0.00%
Vehicle Sales	05-10 Sep	Aug	--	--	--	25301
CPI MoM	06 Sep	Aug	0.14%	0.16%	--	0.04%
Mexico						
Remittances Total	02 Sep	Jul	1800M	--	1841M	1945.3M
IMEF Manufacturing Index NSA	02 Sep	Aug	49.15	--	49.2	48.5
IMEF Non-Manufacturing Index NSA	02 Sep	Aug	50.5	--	49.8	51.1
International Reserves Weekly	03 Sep	Aug 30	--	--	\$170709M	\$169870M
Consumer Confidence Index	04 Sep	Aug	97.4	--	97.4	98
Overnight Rate	06 Sep	2-sep	4.0%	--	--	4.00%

Most recent Latam reports

Date	Description
04-09-2013	➤ Mexico Banking Outlook
04-09-2013	➤ Flash Chile: Monetary Policy Report kept the baseline scenario with the MPR reaching 4.5% during the next months
02-09-2013	➤ Flash Peru: August inflation surprised to the upside
02-09-2013	➤ Mexico Migration Flash: After 13 months, remittances to Mexico still not recovered
30-08-2013	➤ Flash Colombia: BanRep kept by majority policy rate at 3.25% surprising after considering a rate cut
29-08-2013	➤ Flash Chile: Imacec sobre 6,0% a/a en julio dejaría en jaque recorte de la TPM en el muy corto plazo
26-08-2013	➤ Chile Economic Outlook 3Q13
22-08-2013	➤ Mexico Inflation Flash: August's biweekly inflation: there are no signs of demand-side inflation pressures
21-08-2013	➤ Mexico GDP Flash: The GDP growth estimate for this year is revised to 1.4% and the scenario for 2014 remains without relevant changes in 3.1%
20-08-2013	➤ Mexico GDP Flash: GDP surprises to the downside with a reduction of -0.7% q/q. This mainly as a result of the strong decline in the industrial output

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