

Latam Daily Flash

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Economic Analysis

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The Prime Minister of Peru resigned after criticism from the press and the opposition. Other changes in the cabinet are possible. In Mexico, the Senate approved the tax changes included in the fiscal reform. Meanwhile, the unemployment rate in Chile remained slightly below expectations. Today unemployment figures from Colombia should be in line with our positive outlook for 3Q13.

Chile - Unemployment rate remained at 5.7% in September

The unemployment rate remained at 5.7% in September, below both our and market expectations (5.8%). Job-creation increased by 0.1% MoM (+2.0% YoY), mainly driven by commerce, construction and education. Meanwhile, the labour force also expanded 0.1% MoM (+1.1% YoY). All in all, and despite monthly job-creation, changes in the composition of employment - from payroll to self-employment - still increases in the jobless rate in the medium term.

Chile - Fiscal balance reached surplus of 0.6% of GDP at 3Q13

Cumulative central government revenues to 3Q13 showed a real decrease of -0.9% YoY (vs. -5.6% YoY cumulative to 2Q13). Meanwhile, real expenditures accumulated growth of 5.8% YoY. The fiscal balance thus reached a surplus of 0.6% of GDP. All in all, it is highly likely that the effective deficit for the full year will be less than 1% of GDP projected by the Treasury, mainly due to better than expected revenue growth.

Mexico - The Senate approved the fiscal reform tax changes

After the Lower House had approved the tax changes included in the fiscal reform, the Senate approved a plan which is expected to increase tax revenues by 1.1% of GDP in 2014, somewhat below the 1.5% of the original proposal. The incorporation of a 5% junk-food tax along with the increase in the oil price and exchange rate set in the budget (from USD80 to USD85 per barrel and USDMXN from 12.6 to 12.9) and the larger gasoline price adjustment (from 6 to 9 cents per month) was not enough to offset the non-approval of the elimination of the VAT exemption for housing and education services. Income tax is to be progressively increased up to a 35% top rate for annual incomes above MXN3mn. The Lower House now has to approve the expenditure side of the fiscal plan (i.e. the full budget) by no later than 15 November. The fiscal reform falls short of expectations and will not be enough to eliminate the dependence of public finances on oil revenues, but is unlikely to be growth-restrictive in the short term (in contrast to the original proposal) and its effect on inflation will be less (we now expect an impact close to 0.6pp vs. our estimate of around 1pp for the original proposal).

Peru - Premier resigned and it could trigger additional changes in the Cabinet

Juan Jiménez left office amid criticism over inappropriate communication with the press and the opposition. According to his statements, he will be replaced by César Villanueva, who is a re-elected local authority figure (Regional President of San Martín) with managerial experience. It also transpired that there could be some other changes in the cabinet. Thus, the Minister for Education, Patricia Salas, might also be removed.

What to watch today

Colombia - Urban unemployment (September, 12:00 hrs NYT)

We expect the urban unemployment rate to stand at 10.4%, 0.3 pp below last year's number although stable on a seasonally-adjusted basis compared to August. Job-creation should maintain its robust pace, in line with our 3Q13 activity outlook.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Construction Costs MoM	28 Oct	Oct	0.35%	--	0.33%	0.43%
Outstanding Loans MoM	29 Oct	Sep	--	--	0.80%	1.30%
FGV Inflation IGPM MoM	30 Oct	Oct	0.91%	--	0.86%	1.50%
Primary Budget Balance	31 Oct	Sep	0.4B	--	--	-0.4B
FGV CPI IPC-S	1 Nov	31 Oct	0.51%	--	--	0.49%
Industrial Production MoM	1 Nov	Sep	1.30%	1.50%	--	0.00%
Trade Balance Monthly	1 Nov	Oct	\$1200M	\$2200M	--	\$2147M
Chile						
Manufacturing Index YoY	29 Oct	Sep	2.30%	1.90%	-1.00%	-2.00%
Retail Sales YoY	29 Oct	Sep	10.10%	9.10%	7.00%	12.00%
Copper Production Total	29 Oct	Sep	--	--	489170	492883
Unemployment Rate	30 Oct	Sep	5.80%	5.80%	5.70%	5.70%
Colombia						
Budget Balance	31 Oct	Sep	--	--	--	-\$3678B
Urban Unemployment Rate	31 Oct	Sep	10.00%	10.4%	--	10.30%
PPI MoM	1 Nov	Oct	--	--	--	-0.16%
Mexico						
Budget Balance YTD	31 Oct	Sep	-115.81B	--	-188.4B	-113.90B
Net Outstanding Loans	31 Oct	Sep	--	--	--	2416B
Peru						
CPI MoM	1 Nov	Oct	0.03%	--	--	0.11%
Wholesale Price Index MoM	1 Nov	Oct	--	--	--	0.52%

Most recent Latam reports

Date	Description
29-10-2013	➤ Mexico Real Estate Flash: Mortgage loans in the banking system continue to grow
29-10-2013	➤ Flash Chile: Imacec would expand at 3,9% YoY in September
28-10-2013	➤ Flash Chile: No cut of the MPR in November's meeting
28-10-2013	➤ Economic Watch: Financial integration in the Pacific Alliance (in Spanish)
28-10-2013	➤ Flash Chile: Fiscal implications of Bachelet's programme for Government (in Spanish)
25-10-2013	➤ Flash México: As BBVA Research anticipated, Banxico cut the monetary policy rate by 25 basis points and dismissed another rate cut
25-10-2013	➤ Flash Colombia: BanRep kept by unanimity its policy rate at 3.25% and narrowed its 2013 GDP growth forecast
24-10-2013	➤ Mexico Inflation Flash: Core inflation remains subdued while non-core inflation was lower than anticipated
17-10-2013	➤ Flash Chile: Central Bank cut the MPR by 25 bp contrary to consensus, but in line with our baseline
17-10-2013	➤ Brazil Flash: COPOM: still no sign of the end of the ongoing tightening cycle3

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