

Latam Daily Flash

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The Central Bank of Brazil raised the Selic as expected in the context of the significant currency depreciation in recent weeks, although questions remain about the speed of the next adjustments. In Chile, the Financial Traders Survey revealed expectations of a stable monetary policy rate in September.

Brazil - The monetary tightening continues, at an unchanged pace

The Monetary Policy Committee (COPOM) raised the Selic by 50bp as expected to 9.0%. The decision was in line with both our call and consensus. By keeping the wording of the statement the same as after the previous meeting, the BCB does not appear to be paving the way for an end to the restrictive cycle, but rather sending signals that it will maintain the pace of rate hikes at the October meeting. The minutes of the meeting, which will be released next week, should provide information that will help us to shape our view on future monetary conditions.

Chile - Financial Traders Survey reveals expectations of a stable monetary policy rate in September

As expected, the survey for the second half of August maintained inflation estimates at 0.3% MoM for the current month (in line with our view). The results also reflected a postponement of expectations of cuts in the monetary policy rate in the coming months, anticipating that the rate will be maintained unchanged at 5% at the September meeting (in line with our view), as a consequence of still dynamic private consumption. Nonetheless, on a 3-month horizon the survey results anticipate a 25bp cut. Finally, traders forecast further depreciation of the CLP to reach USDCLP 520 on a 3-month horizon.

Peru - Consumer confidence was in the neutral zone in August

The print for August came in at 50 points (vs. 54 points in July), reflecting a fall in all components and at all socioeconomic levels. This is due to the moderation of the business cycle, which we expect to continue in the coming months.

What to watch today

Chile - Monetary policy minutes (August, 08:30hrs NYT)

We expect the minutes to continue to highlight the Board's concerns about the domestic slowdown that could affect monetary policy decisions in coming months. Nonetheless, recent figures of imports and car sales have revealed still dynamic private consumption (mainly of durable goods). This would justify maintaining rates stable not only at the August meeting, and so we also expect the minutes to reveal a signal for another pause in September. In this context, the timing of easing should be postponed. Finally, the minutes should also reveal the Board's debate between the maintenance of rates and preventative cuts as policy options, in a scenario of latent inflationary pressures and increasing current account imbalances on the horizon.

Chile - Activity data by sector (July, 09:00hrs NYT)

We expect manufacturing production to have increased by 1.7% YoY and retail sales to have surged 10.1% YoY in July. With these prints, we forecast that the monthly aggregate activity index (Imacec), due to be released next week, should expand in a range of 5.1% to 5.7% YoY in the period.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Selic Rate	28 Aug	Aug 28	9.00%	--	9%	8.50%
Outstanding Loans MoM	29 Aug	Jul	--	--	--	1.80%
GDP QoQ	30 Aug	2Q	0.80%	--	--	0.60%
Net Debt % GDP	30 Aug	Jul	--	--	--	34.50%
Chile						
Central Bank's Traders Survey	28 Aug	--	--	--	--	--
Manufacturing Index YoY	29 Aug	Jul	0.50%	1.70%	--	-2.70%
Retail Sales YoY	29 Aug	Jul	8.30%	10.10%	--	7.70%
Copper Production Total	29 Aug	Jul	--	435518	--	482252
Unemployment Rate	30 Aug	Jul	6.30%	6.40%	--	6.20%
Colombia						
Industrial Confidence	26 Aug	Jul	--	-4	-2	-5.1
Urban Unemployment Rate	30 Aug	Jul	11.00%	0.11	--	11.20%
Overnight Lending Rate	30 Aug	Aug 30	3.25%	3.25%	--	3.25%
Mexico						
Trade Balance	26 Aug	Jul P	--	--	-1436.7M	856.4M
Peru						
CPI MoM	01 Aug	Aug	--	--	--	0.55%
Wholesale Price Index MoM	01 Aug	Aug	--	--	--	0.97%

Most recent Latam reports

Date	Description
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
20-08-2013	➤ Latam Economic Outlook 3Q13
19-08-2013	➤ Mexico Real Estate Flash: Stark contrasts continue in mortgage activity
19-08-2013	➤ Brazil Economic Outlook 3Q13 (In Spanish)
19-08-2013	➤ Flash Chile: GDP growth reached 4.1% YoY in 2Q13
15-08-2013	➤ Flash Peru: GDP slowed in June
13-08-2013	➤ Colombia Economic Outlook 3Q13 (In Spanish)

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