

Latam Daily Flash

30 August 2013 Economic Analysis

Madrid

Juan Ruiz

Chief Economist, South America
juan.ruiz@bbva.com
+34 913745887

Enestor dos Santos

Principal Economist, Latam
enestor.dossantos@bbva.com
+34 639827211

Cecilia Posadas

Principal Economist 2, Latam
c.posadas@bbva.com
+34 913746279

With contributions from the BBVA
Research Latam Team:

Lima

Hugo Perea

Chief Economist, Peru
hugo.perea@bbva.com
+51 1 2112042

Bogota

Juana Tellez

Chief Economist, Colombia
juana.tellez@bbva.com
+571 3471600

Santiago

Jorge Selaive

Chief Economist, Chile
jselaive@bbva.com
+56 2 2939 10 92

Mexico City

Carlos Serrano

Chief Economist, Mexico
carlos.serranoh@bbva.com
+5255 5621 4354

Javier Amador

Principal Economist, Mexico
javier.amadord@bbva.com
+5255 5621 3095

In Chile the monetary policy minutes supported maintaining the TPM at September's meeting, pending more information about the magnitude of the slowdown. Today we expect Colombia's BanRep to maintain its policy rate unchanged, with no further announcements related to the current USD purchase programme.

Chile - Monetary policy minutes support rates on hold at September's meeting

Minutes of August's monetary policy meeting revealed further discussions regarding the timing of monetary easing. The Board decided to keep the policy rate unchanged at 5%, pending more information about the magnitude of the economic slowdown. Recent figures pointed to a reacceleration in activity and strong consumption, mainly of durable goods. There is widespread agreement within the Council of the need for an adjustment in the policy rate but easing is being postponed. In this context, further moderation in consumption is desirable before rate cuts. All in all, we have taken a backwards step regarding our expectation of 25bp cut in September and we now expect rates to be kept on hold. As we have said in earlier reports, we expect rate cuts to now be more data-dependent (see our [Chile Flash](#) for details).

Chile - Activity data by sector anticipates an increase in the Imacec of 6.1% YoY in July

Manufacturing production increased by 4.7% YoY in July (BBVAe: +1.7% YoY, consensus +0.8% YoY), while mining production surprisingly increased 14.2% YoY. Meanwhile, retail sales remained strong and increased by 10.3% YoY (BBVAe: +10.1% YoY), still driven by durable goods. All in all, we expect the monthly activity index to grow at 6.1% YoY in July (+0.7% MoM), above the preliminary range that we forecast for the variable at the beginning of August (see our [Chile Flash](#) for details).

Peru - Minister of Economy announces new measures to boost public and private investment

Included in the new package of legislation (the third since May) to be sent to Congress in the next 60 days are the simplification of licensing procedures for building and urban refurbishment. The Minister also proposed other measures to strengthen production and trade such as simplification of customs procedures and tax incentives for businesses. If introduced, these measures should have a positive effect on business confidence.

What to watch today

Brazil - GDP (2Q13, 08:00hrs NYT)

We expect GDP to have grown 0.6% QoQ during the second quarter, the same pace as observed in the previous quarter. It is worth noting that 1Q13 implied a surprise to the downside due to a sharp slowdown in consumption, influenced by high inflation and moderation in credit and labor markets. The expected growth rate is consistent with an annual rate of 2.3% in 2013.

Chile - Unemployment rate (July, 09:00hrs NYT)

We expect the unemployment rate to reach 6.4% in July (vs. 6.2% previously). The increase should be driven by an employment growth of 1.0% YoY and labour force expansion of around 0.9% YoY.

Colombia - Monetary policy meeting (announcement time: unspecified)

We expect BanRep to maintain its policy rate unchanged at 3.25%, with a continuation of its stable stance since March. We do not expect further announcements related to the current USD purchase programme, and expect BanRep to decide to continue with the intervention programme at next month's meeting.

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

We expect the urban unemployment rate to reach 11%, a slight improvement in seasonally-adjusted terms compared to June. Annual job-creation numbers in July should be in line with the average of the last four months. For 2H13 we expect a slight increase in job-creation, in line with the acceleration of activity.

Mexico - Budget balance (July, 13:30hrs NYT)

On the revenue side, figures could provide clues on a possible improvement in economic performance at the start of 3Q13. The recent improvement seen in tax revenues has been mainly in response to better ISR tax revenue performance which has been offset by lower VAT revenues. In this context, the signals that VAT revenues provide on a possible upturn in economic output at the start of 3Q13 will be especially important. In a similar fashion, public expenditure will be important to watch if the underspend continues to reverse in terms of projected spending and if non-project expenditure remains in the same upward trend as in recent months. If these two trends are confirmed, this would support our forecast that the contraction in public expenditure will reverse in the second half of the year.

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	--	--	0.6%	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%	4.70%	-2.70%
Retail Sales YoY	29 Aug	Jul	8.30%	10.10%	10.30%	7.70%
Copper Production Total	29 Aug	Jul	--	435518	480440	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
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
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

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