

Latam Daily Flash

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Today eyes will be on monetary decisions in Chile and Peru, where we expect policy rates to remain unchanged in both cases. A first cut in Chile is expected on a 3-month horizon, while in Peru the inflation profile is in line with a maintenance of the policy rate for the rest of the year.

Mexico - The construction sector continues to drive down industrial production

Industrial production decreased 0.1% MoM sa in July, slightly less than our forecast but much more than consensus expectations. By components, construction contracted 1.1% MoM sa, while utilities, manufacturing and mining increased 1.8%, 0.4%, and 0.1% MoM sa, respectively. In annual terms, industrial production fell by 0.5% sa. Although there was a slight improvement in the trend, yesterday's data suggests that economic activity is unlikely to strengthen during 3Q13.

Chile - Financial Traders Survey reveals inflation expectations at 0.6% MoM for September

The survey for the first half of September showed an inflation rate forecast of 0.6% MoM for the current month (BBVAe range: 0.5%-0.7% MoM). Results also revealed expectations of a 25bp cut in the monetary policy rate on a 3-month horizon to reach 4.75%. Meanwhile, on a 6-month horizon, traders anticipate the policy rate at 4.5%.

Colombia - Energy demand grew 1.9% YoY suggesting a still weak industrial recovery

Energy demand grew 1.9% YoY in August, below July's print (3.4%) and the 1H13 average (2.7%). The demand for non-regulated energy, which is mainly for industrial use, grew at 1.8% YoY (vs. 3.3% in July), indicating that the recovery in the manufacturing sector is still sluggish. Although the numbers were positive, we think August's industrial production numbers might be weaker, suggesting a slow recovery in 2H13.

Colombia - Consumer confidence affected by August strikes

Consumer confidence reversed its upward trend observed in previous months, mainly affected by the agricultural sector strikes during the month. The index stood at 13.2 (between -100 and 100), in the optimistic zone (above 0) although below July's print (25.1). Consumers' willingness to buy durable goods was also affected by the temporary shock, falling to 20.5 (from 37.6 in July). We read the overall decrease as a temporary response to the agricultural sector strikes, as happened in 1Q13. Thus although the decline in confidence was quite significant, we expect a quick recovery and do not anticipate BanRep responding to the supply shock.

What to watch today

Chile - Monetary policy meeting (17:00hrs NYT)

We expect the central bank to keep its monetary policy rate unchanged at 5%. Nonetheless, we think the first cut will be introduced before the end of this year, when the MPR will be slashed by at least 75bp. In our view, employment conditions would permit a preventive cut in the MPR, the fact that private consumption is still dynamic and external conditions uncertain would advise keeping the rate unchanged in the short term.

Peru – Monetary policy meeting (September, 19:30hrs NYT)

We expect the central bank to keep its policy rate at 4.25% in September. Although inflation (3.3% YoY in August) is currently above the target range (2% +/-1pp), we expect it to gradually converge to this range, due to the reversion of supply shocks that have impacted food prices in the last two months, in a context of subdued demand pressures.

Brazil – Retail sales (August, 08:00hrs NYT)

We expect core retail sales to show moderate growth in MoM terms. However, a contraction in auto sales should determine a drop in broad retail sales, which together with the 2.0% decline in industrial production would then suggest that overall economic activity contracted in August.

Colombia – Civil engineering works (2Q13, 17:00hrs NYT)

We expect a contraction of 2.5% YoY, mainly explained by base effects of a year ago. The number is very important to better assess 2Q13 GDP, due to be released on 19 September. Our forecast is in line with consensus expectations of 3.4% YoY GDP growth in the quarter.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	09 Sep	2-Sep	--	--	0.25%	0.20%
CNI Capacity Utilization (SA)	09 Sep	Jul	--	--	82.20%	82.20%
IGP-M Inflation 1st Preview	10 Sep	Sep	--	--	0.13%	0.13%
FIPE CPI - Weekly	11 Sep	2-Sep	0.28%	--	0.21%	0.23%
Retail Sales MoM	12 Sep	Jul	0.30%	0.5%	--	0.50%
Economic Activity MoM	13 Sep	Jul	-0.65%	-0.5%	--	1.13%
Chile						
Trade Balance	09 Sep	Aug	-\$725.0	-\$400	-\$525	-\$254.0
Central Bank's Economist Survey	10 Sep	--	--	--	--	--
Central Bank's Traders Survey	11 Sep	--	--	--	--	--
Overnight Rate Target	12 Sep	2-Sep	5.00%	5.00%	--	5.00%
Colombia						
Consumer Confidence Index	11 Sep	Aug	23	15	13.4	25.1
Colombia Monetary Policy Minutes	13 Sep	--	--	--	--	--
Mexico						
CPI Core MoM	09 Sep	Aug	0.34%	--	0.28%	-0.03%
Vehicle Production AMIA	09 Sep	Aug	0.12%	--	0.09%	0.03%
Industrial Production YoY	09-17 Sep	Aug	--	--	259106	234757
Industrial Production MoM	11 Sep	Jul	-1.10%	--	-0.50%	-2.40%
ANTAD Same-Store Sales YoY	11 Sep	Jul	0.40%	--	-0.08%	0.00%
CPI Core MoM	12 Sep	Aug	-1.10%	--	--	-2.30%
Peru						
Trade Balance	10 Sep	Jul	--	-	-\$486M	-\$78M
Reference Rate	12-Sep	Sep	4.25%	4.25%	--	4.25%

Most recent Latam reports

Date	Description
10-09-2013	➤ Colombia Economic Outlook 3Q13
06-09-2013	➤ Banxico Flash: As BBVA Bancomer called it, Banxico cuts the monetary interest rate. If the economic weakness continues, another cut cannot be dismissed
06-09-2013	➤ Brazil Flash: Inflation continues to ease
06-09-2013	➤ Flash Chile: CPI inflation increased 0.2% MoM in August
06-09-2013	➤ Flash Colombia: Consumer inflation stood at 2.27% YoY with a limited transmission of agricultural sector protests
05-09-2013	➤ Flash Brazil: COPOM minutes suggest that the monetary tightening will continue at an unchanged pace, at least in the short term
05-09-2013	➤ Flash Chile: Economic activity increased 5,3% YoY in July, below expectations
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

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