

Latam Daily Flash

13 September 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
Economist, 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

Central Banks in Chile and Peru kept policy rates unchanged as expected, with a rate cut on a 3-month horizon in Chile and with no changes in rate for the rest of the year in Peru. Today, Colombian MP Minutes will add information about an in our view likely although not generally expected rate cut.

Chile - Central Bank keeps the policy rate at 5%, as we expected

The bank kept the monetary policy rate at 5%, in line with both BBVA Research and consensus. Nonetheless, the Board maintained its dovish tone, which leads us to expect cuts over the coming months. We expect a first cut at November's meeting, after the external risks associated with the Fed's tapering and have dissipated and the bank has observed further deceleration in private consumption and its determinants (employment and salaries) (see our [Chile Flash](#) for details).

Brazil - Retail sales expanded much more than expected at the beginning of 3Q13

Core retail sales grew by 1.9% MoM in July, the highest since January 2012 and considerably more than anticipated (BBVAe: 0.5% MoM; consensus: 0.3% MoM). In spite of a 3.5% drop in auto sales, the broad sales indicators expanded 0.6% MoM. This strong expansion in July is, to some extent, due to the postponement of sales at the end of June (when the wave of popular protests peaked) and some calendar effects. Nonetheless, the magnitude of the expansion in retail sales contrasts with the sharp contraction in industrial production (-2.0% MoM) and creates an upside risk to (currently very weak) growth forecasts for both July and 3Q13.

Colombia - Civil engineering works grew 5.3% YoY, introducing an upward bias to 2Q13 GDP growth

Civil engineering works grew 5.3% YoY, despite the negative base effect of a year ago. The dynamic was driven by waterways, harbours and ports (39% YoY) and other civil engineering works (mainly sports venues; 13% YoY), while growth in mining construction was modest (0.5% YoY), as was growth in roads and highways (2.2% YoY). The figure was above our expectations, which anticipated a contraction as the base effect played against the observed dynamics. The published figure introduces an upward bias to our estimate (BBVAe: 3.3% YoY) for 2Q13 GDP, which is due to be published on 19 September.

Peru - Monetary policy meeting without surprises

The policy rate was held at 4.25% in September. The statement accompanying the decision suggests that the Central Bank sees no inflationary pressures, while considering that GDP is expanding around potential. It also mentioned that, if necessary, the Central Bank might further ease reserve requirements. This is in line with our expectation that an eventual easing will be made using this instrument, thus keeping the policy rate unchanged for the rest of the year (see our [Peru Flash](#) for details).

What to watch today

Brazil - Economic activity indicator (July, 07:30hrs NYT)

The significant surprise in retail sales implies that the IBC-Br, the monthly economic activity indicator released by the BCB, may have declined less than previously expected in July (BBVAe: -0.5% MoM; consensus: -0.65% MoM). If the IBC-Br does not decline significantly, then the likelihood of a non-negligible GDP contraction in 3Q13 will also be reduced.

Peru – Business Confidence (August 13:00hrs NYT)

A negative outcome for this indicator in August (July's reading was a neutral 50) could in our view persuade the Central Bank to further ease reserve requirements in order to support demand.

Colombia – Monetary policy meeting minutes (August, 14:00hrs NYT)

The August meeting showed a divided BanRep, with a minority of board members voting for a rate cut. The minutes should reveal the differences between board members' assessments of the current recovery, adding information about the drivers of an in our view likely (although not generally expected) rate cut.

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%	1.90%	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%	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%	--	1.10%	-2.30%
Peru						
Trade Balance	10 Sep	Jul	--	-	-\$486M	-\$78M
Reference Rate	12-Sep	Sep	4.25%	4.25%	4.25%	4.25%

Most recent Latam reports

Date	Description
12-09-2013	➤ Flash Chile: Central Bank kept the monetary policy rate at 5%. Even though, the downward bias for the MPR was ratified
12-09-2013	➤ Flash Peru: Monetary policy meeting: no news
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

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