

Latam Daily Flash

25 September 2013
Economic Analysis

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Today, the IGAE index in Mexico could suggest recovery at the start of the third quarter. Meanwhile, we expect the Financial Traders survey in Chile to confirm consensus expectations that the monetary policy rate will be left unchanged at October's meeting.

Mexico - Core inflation appears to have bottomed-out

Headline inflation surprised slightly to the upside and came in at 0.34% FoF in the first fortnight of September, higher than our above-consensus forecast (BBVAe: 0.29%; consensus: 0.27%), increasing in annual terms to 3.46% from 3.37% in the second fortnight of August. The upside surprise was the result of a stronger core print: core inflation increased 0.30% FoF (BBVAe: 0.16%; consensus: 0.20%). This increases annual core inflation to 2.54% from the 2.35% all-time low observed in the second fortnight of August (see our [Inflation Flash](#)).

Brazil - The current account deficit continues to increase

The yearly current account deficit reached 3.6% of GDP in August, in comparison to 2.1% in the same month last year. The deficit in August was actually the highest since the beginning of 2002. FDI inflows remains solid (2.7% of GDP), but external financial needs (the difference between the current account deficit and FDI) is at 0.9% of GDP, the highest value since 1998. The increasing current account deficit creates additional weakening pressure on the exchange rate. The figures released yesterday show that the current account deficit this year can be higher than we are currently forecasting (3.4%).

What to watch today

Chile - CB Financial Traders Survey (2nd half of September, 07:30hrs NYT)

We expect the survey to show inflation estimates at around 0.5% MoM for September and the monetary policy rate left on hold at October's meeting. In terms of inflation, the recent decline in fuel prices and the appreciation of the currency will probably be reflected in this survey.

Mexico - Economic Activity Index (July, 09:00hrs NYT)

Following the better than expected retail sales data earlier this week, the Economic Activity Index (IGAE) will provide more information about the start of the third quarter. In June, the IGAE index rose slightly in annual terms (0.4% sa) due to the 2.0% YoY sa and 2.1% YoY sa drops in the primary and secondary sectors respectively, offset by the 1.9% YoY sa rise in the services sector. We expect the IGAE index to recover somewhat to an annual rate of 1.0% YoY sa in July given the recent improvement in manufacturing output and the upside surprise in retail sales in July.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	23 Sep	Aug	84500M	--	83956M	94293M
FGV CPI IPC-S	23 Sep	2-Sep	0.27%	--	0.27%	0.27%
FGV Consumer Confidence	24 Sep	Sep	--	--	114.2	113.1
Current Account Balance	24 Sep	Aug	-\$5081M	--	-\$5505M	-\$9018M
FIPE CPI - Weekly	25 Sep	2-sep	0.17%	--	--	0.16%
PPI Manufacturing YoY	25 Sep	Aug	--	--	--	4.96%
Unemployment Rate	26 Sep	Aug	5.60%	5.70%	--	5.60%
FGV Inflation IGPM MoM	27 Sep	Sep	1.42%	--	--	0.15%
Total Outstanding Loans	27 Sep	Aug	--	--	--	2546B
Central Govt Budget Balance	27 Sep	Aug	0.5B	--	--	3.7B
Colombia						
Outstanding Loans	23-Sep	Jul	--	--	--	\$265.0T
Trade Balance	23 Sep	Jul	\$118.7	-\$12,3	-\$221	\$717.8
Imports	23-Sep	Jul	--	\$4934	\$5111.8	\$4311
Industrial Confidence	24 Sep	Aug	--	--	--	-2
Retail Confidence	24 Sep	Aug	--	--	--	21.8
Current Account Balance	26 Sep	2Q	--	--	--	-\$3038M
Overnight Lending Rate	27 Sep	2-Sep	3.25%	3.25%	--	3.25%
Budget Balance	27 Sep	Aug	--	--	--	-\$3448B
Mexico						
Retail Sales YoY	23 Sep	Jul	0.50%	--	1.30%	-1.90%
Bi-Weekly CPI	24 Sep	2-Sep	0.23%	--	0.34%	0.07%
Bi-Weekly Core CPI	24 Sep	2-Sep	0.21%	--	0.30%	0.01%
Economic Activity IGAE YoY	25 Sep	Jul	1.30%	--	--	-0.39%
Trade Balance	26 Sep	Aug P	-1500	--	--	-1436.7M

Most recent Latam reports

Date	Description
24-09-2013	➤ Chile Flash: CPI for September and October are moderated, but leave the door open for November and December
24-09-2013	➤ September's biweekly inflation: core inflation surprised us on the upside
23-09-2013	➤ Mexico Flash: Banxico: rate cut decision passed by simple majority. FED in the spotlight
19-09-2013	➤ Flash Mexico: Private consumption and investment dragged down GDP in 2Q13 (In Spanish)
19-09-2013	➤ Flash Colombia: GDP surprised upwards in 2Q13 growing 4.2% YoY with a homogeneous path to recovery
16-09-2013	➤ Flash Peru: GDP growth kept moderate in July
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
11-09-2013	➤ Mexico Economic Watch: Fiscal Reform: in the right direction, but not enough
10-09-2013	➤ Colombia Economic Outlook 3Q13

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