

Latam Daily Flash

30 September 2013 Economic Analysis

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In Colombia, BanRep kept monetary policy rate unchanged and slowed the pace of its intervention programme. Today the inflation report in Brazil should pave the way for an additional hike in the Selic rate in the near future, while Chile and Colombia will report August unemployment figures.

Brazil - Credit growth remained stable around 16% YoY in August

Amid rumours that the government will enforce a slowdown in lending by public banks to reduce the possibility of a sovereign credit downgrade, Friday's credit report showed that public banks accounted for 50.7% of the stock of credit in August. Public credit grew by 1.6% MoM and 28.1% YoY while the credit from private banks grew by 1.0% MoM and 6.0% YoY in the period. Overall, the credit stock continued to expand at a very stable pace, around 16% YoY, in August. Lending rates continued to trend up thanks to the tightening of monetary conditions and reached 19.3%. On the positive side, non-performing loans in the household segment declined again and reached 4.8% (vs. 5.9% a year ago).

Colombia - BanRep kept the policy rate unchanged at 3.25% and slowed the pace of its USD intervention programme

After last month's bearish tone, the central bank voted unanimously to keep its intervention rate unchanged, on renewed optimism about activity. With this measure and BanRep's optimistic tone, a further rate cut should be ruled out, in contrast to what was partially anticipated during September by market curves. On the other hand, BanRep eased its USD intervention programme, announcing that it will continue buying up to USD1bn between October and December of this year (vs. at least USD2.5bn between June and September). Both decisions were in line with our expectations, which anticipate stability in the intervention rate for the remainder of the year, with the first hike in April 2014 (see our [Colombia Flash](#)).

Colombia - Current account deficit stood at -3.2% of GDP in 1H13

The current account deficit widened in 1H13 to -3.2% of GDP (-2.9% in 1H12), on a lower trade balance due to the slow recovery of mining exports which are not being offset by lower dividend payments abroad. FDI flows grew 5.5% to USD8.3bn (USD7.8bn in 1H12), while portfolio flows stood at USD2bn (USD0.7bn in 1H12), despite the turbulence in emerging markets after the expectations that the Fed would taper and driven by lower taxes on portfolio flows approved in the recent tax reform. The deficit is in line with our forecast of -3.1% of GDP for FY13e.

What to watch today

Brazil - Inflation report (3Q, 07:30hrs NYT)

The 3Q inflation report will reveal the BCB's updated inflation forecasts (with currency depreciation offsetting the recent positive surprises in inflation) and the monetary authority's assessment of the current balance of risks (with an analysis of the withdrawing of the monetary stimuli in the US taking centre-stage). Even though the report should pave the way for additional hikes in the Selic rate ahead, we are expecting a slightly less hawkish tone (suggesting that the end of the tightening cycle is not far off).

Chile - Activity data by sector (August, 08:00hrs NYT)

We are forecasting retail sales expansion of 9.4% YoY in August, as private consumption is still dynamic in Clothing, Footwear and Electronics. However, we are not expecting to see any growth in manufacturing production (BBVAe -0.1% YoY). All in all, we anticipate monthly aggregate activity (Imacec) between 3.2% and 4.2% YoY.

Chile - Unemployment rate (August, 08:00hrs NYT)

We expect the unemployment rate to reach 6.0% during the moving quarter June-August (5.7% previously) due to a decline in waged employment and a minor contraction in the labour force. Published information reveals an ongoing slowdown in both output and demand, and the labour market is less tight than in previous months.

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

We expect the urban unemployment rate to stand at 9.8%, 0.7pp below the rate a year ago. The underlying job-creation should be above the average for the year (on a YoY basis) and in line with our activity forecasts for 3Q13 that anticipate a gradual recovery.

Brazil - Fiscal report (August, 13:30hrs NYT)

The report should reinforce the generalised view that the primary surplus will fall short of the 2.3% target in spite of some recovery in tax revenues and perspectives of additional one-off non-tax revenues (related to infrastructure concessions to the private sector and the first pre-salt oil auctions).

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Central Bank Publishes Quarterly						
Inflation Report	30 Sep	--	--	--	--	--
Primary Budget Balance	30 Sep	Aug	--	--	--	2.3B
FGV CPI IPC-S	01 Oct	2-sep	--	--	--	0.27%
PMI Manufacturing	01 Oct	Sep	--	--	--	49.4
Trade Balance Monthly	01 Oct	Sep	--	--	--	\$1226M
FIPE CPI - Monthly	02 Oct	Sep	--	--	--	0.22%
Industrial Production MoM	02 Oct	Aug	0.30%	--	--	-2.00%
Commodity Price Index MoM	02 Oct	Sep	--	--	--	3.77%
PMI Services	03 Oct	Sep	--	--	--	49.7
Vehicle Sales Anfavea	04 Oct	Sep	--	--	--	329143
Chile						
Retail Sales YoY	30 Sep	Aug	8.50%	9.40%	--	10.30%
Copper Production Total	30 Sep	Aug	--	485775	--	480440
Unemployment Rate	30 Sep	Aug	5.80%	6.00%	--	5.70%
Central Bank Meeting Minutes	02 Oct	--	--	--	--	--
Colombia						
Urban Unemployment Rate	30 Sep	Aug	10.00%	9.8%	--	10.00%
PPI MoM	04 Oct	Sep	0.30%	--	--	0.00%
Mexico						
Budget Balance YTD	30 Sep	Aug	--	--	--	-123.70B
IMEF Manufacturing Index NSA	01 Oct	Sep	--	--	--	49.2
Consumer Confidence Index	03 Oct	Sep	--	--	--	97.4
Peru						
CPI MoM	01 Oct	Sep	--	--	--	0.54%
Wholesale Price Index MoM	01 Oct	Sep	--	--	--	0.85%

Most recent Latam reports

Date	Description
27-09-2013	Flash Colombia: BanRep kept by unanimity its policy rate at 3.25% and eases USD intervention program
26-09-2013	Mexico Flash: Recent Flood's economic effects (In Spanish)
25-09-2013	Mexico Economic Outlook 3Q13
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

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