

Latam Daily Flash

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Economic Analysis

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In Brazil the minutes of the monetary policy meeting refrained from signalling that the ongoing tightening cycle is close to its end, making another +50bp adjustment of the Selic rate in November more likely. In Chile, the central bank surprisingly slashed interest rates by 25bp, although yesterday's cut remains in line with our baseline scenario. Today the focus will be on Colombia and Mexico, with more data enabling us to assess the performance of the economy in 3Q13 published.

Brazil - Still no sign of the end of the ongoing tightening cycle

The minutes of [last week's monetary meeting](#) maintained the tone and the wording used in the previous official communication, refraining from signalling that the end of the present monetary tightening cycle is close. We do not see this as a commitment to another 50bp adjustment at the next monetary policy meeting in November, as the monetary authority could want to gain some time and analyse upcoming data before deciding which strategy to follow in an environment marked by a moderation in both growth and inflation and a stronger currency. For the time being, we maintain our forecast of a final 25bp adjustment in November. However, we acknowledge that a longer / more severe tightening cycle is now more likely than we expected (see our [Brazil Flash](#) for more details).

Chile - Central bank started the easing cycle with a 25bp cut

The central bank decided to cut the monetary policy rate in 25bp to 4.75%, and contrary to market expectations started an easing cycle based on the deceleration of economic activity. Although we did not anticipate this timing of the first slash, which we forecast for November's meeting, the cut in the policy rate remains in line with our baseline scenario. All in all, we still forecast the monetary policy rate will be cut by at least another 75bp over the next three quarters (see our [Chile Flash](#) for details).

What to watch today

Brazil - IPCA-15 (October, 08:00hrs NYT)

In our view, October's IPCA-15, which measures inflation from mid-September to mid-October, will decline to 5.7% YoY. This would be the fourth consecutive decline in yearly inflation as measured by the IPCA-15, in spite of an increase in monthly inflation from 0.27% in September to around 0.40% MoM in October, largely due to seasonal factors.

Mexico - Unemployment rate (September, 09:00hrs NYT)

Given the slight up-tick in economic activity, specifically in industrial output in August (0.5% MoM sa), we expect employment data to show some improvement in September. Recently, employment data has disappointed but labor market conditions do seem to be recovering slightly in manufacturing and services. We expect a slight drop in the unemployment rate from 5.2% in August to 5.1% in September.

Colombia - Retail sales and industrial production (August, 17:00hrs NYT)

For August, we expect a YoY drop of 1.8% in industrial production due to a poor performance of manufacturing exports in the month. Meanwhile, we anticipate that retail sales will prolong their recovery to grow 4.1% YoY, although we have a negative bias on this forecast due to the social protests.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Formal Job Creation Total	16 Oct	Sep	154.396	--	211068	127648
Retail Sales MoM	15 Oct	Sep	0.10%	0.20%	0.90%	1.90%
Tax Collections	18 Oct	Sep	84000M	--	--	83956M
FGV Inflation IGP-10 MoM	16 Oct	Oct	1.17%	--	1.11%	1.05%
FGV CPI IPC-S	16 Oct	2-Oct	--	--	0.45%	0.38%
Economic Activity MoM	16 Oct	Aug	-0.20%	0.00%	0.08%	-0.33%
FIPE CPI - Weekly	17 Oct	2-Oct	0.29%	--	0.37%	0.29%
COPOM Monetary Policy Meeting Minutes	17 Oct	--	--	--	--	--
IGP-M Inflation 2nd Preview	18 Oct	Oct	--	--	--	1.36%
IBGE Inflation IPCA-15 MoM	18 Oct	Oct	0.44%	0.4%	--	0.27%
Chile						
Overnight Rate Target	17 Oct	2-Oct	5.00%	5.00%	4.75%	5.00%
Colombia						
Outstanding Loans	18 Oct	Aug	--	--	--	\$266.9T
Retail Sales YoY	18 Oct	Aug	5.50%	4.1%	--	5.40%
Industrial Production YoY	18 Oct	Aug	-0.30%	-1.8%	--	0.20%
Mexico						
Unemployment Rate	18 Oct	Sep	5.12%	--	--	5.17%
Peru						
Unemployment Rate	15 Oct	Sep	--	--	5.90%	5.60%
Economic Activity YoY	15 Oct	Aug	0.05	4.30%	4.30%	4.50%

Most recent Latam reports

Date	Description
17-10-2013	➤ Flash Chile: Central Bank cut the MPR by 25 bp contrary to consensus, but in line with our baseline
17-10-2013	➤ Brazil Flash: COPOM: still no sign of the end of the ongoing tightening cycle3
15-10-2013	➤ Peru Flash: August's GDP in line with market expectations
14-10-2013	➤ Flash Chile: We forecast October's CPI yet at -0.1%, but towards 0%
11-10-2013	➤ Flash Chile: We forecast Retails Sales in 7.5% YoY in September
10-10-2013	➤ Flash Peru: Unchanged monetary policy stance
10-10-2013	➤ Brazil Flash: COPOM: no surprises; no hints
09-10-2013	➤ Mexico Inflation Flash: September's inflation: came in lower than our below-consensus expectation
09-10-2013	➤ Brazil Flash: Inflation drops below 6% for the first time this year
08-10-2013	➤ Chile Flash: CPI in September at 0.5% in line BBVA's forecast

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