

Latam Daily Flash

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Economic Analysis

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In Mexico, the unemployment rate increased in September instead of easing as we forecasted, suggesting that a recovery in 3Q13 is still uncertain. Retail sales data to be released today should shed some light on this issue. In Colombia, retail sales expanded and industrial production declined, and in our view they together reinforce the downward bias to our 3Q13 GDP estimate. Finally, in Brazil, inflation eased slightly less than expected at the beginning of October.

Mexico - The unemployment rate unexpectedly rose in September

Recent data remains weak and a clear turning point in 3Q13 is still unconvincing. The unemployment rate unexpectedly rose from 5.2% to 5.3% in September (BBVAe: 5.1%, consensus 5.1%), pointing to continued weakness in the labour market at the end of the third quarter and a challenging context for domestic consumption. In seasonally-adjusted terms, the unemployment rate increased from 4.8% to 4.9%.

Colombia - Divergence in indicators anticipates higher growth of private consumption than non-residential investment

As expected, retail sales performed very well in August: an increase of 6.9% YoY. The best performers were durable goods such as computers (+26.1%) and appliances (+13.9%). Meanwhile, industrial production fell more than expected to -3.9% YoY, due to lower external demand and the bottlenecks in internal transportation during August. These results confirmed the downward bias to the 3Q13 GDP growth announced in previous publications. Furthermore, they anticipate a late recovery of manufacturing, which in our view will only consolidate in 2014e.

Brazil - Yearly inflation eased at the beginning of October

November's IPCA-15, which measures inflation from mid-September to mid-October, reached 5.75% YoY (0.48% MoM), slightly more than expected (BBVAe: 5.67% YoY and 0.40% MoM; consensus: 5.71% YoY and 0.44% MoM). In yearly terms, this was the fourth consecutive decline. In monthly terms, there was an increase in comparison to the previous month (0.27% MoM), mostly due to seasonal issues that had a negative impact on prices in the last quarter of the year. Taking this into account, we expect the full-month IPCA to reach 0.55% MoM in October, which would bring yearly inflation down slightly to 5.82% YoY at the end of the period (vs. 5.86% YoY in September). We maintain our 5.7% YoY forecast for the end of the year.

What to watch today

Mexico - Retail sales (August, 09:00hrs NYT)

We expect August retail sales to reflect continued weakness in private consumption. In July, retail sales were surprisingly strong, growing 0.9% MoM sa. However, the ANTAD sales indicator weakened in August and September (-3.5% YoY and -4.6% YoY, respectively) while producer confidence has improved only marginally. As a result, we expect retail sales to decrease -0.2% MoM sa in August.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Consumer Confidence	23 Oct	Oct	--	--	--	114.2
FGV CPI IPC-S	23 Oct	2-Oct	0.50%	--	--	0.45%
Unemployment Rate	24 Oct	Sep	5.40%	5.20%	--	5.30%
FIPE CPI - Weekly	25 Oct	2-Oct	0.44%	--	--	0.37%
Current Account Balance	25 Oct	Sep	-\$2300M	--	--	-\$5505M
Chile						
Central Bank's Traders Survey	23 Oct	--	--	--	--	--
Colombia						
Trade Balance	22 Oct	Aug	\$156.1	\$439.3	--	-\$221.0
Industrial Confidence	24 Oct	Sep	--	0	--	-1.8
Retail Confidence	24 Oct	Sep	--	16.2	--	12
Overnight Lending Rate	25 Oct	2-Oct	3.25%	3.25%	--	3.25%
Mexico						
Retail Sales YoY	21 Oct	Aug	1.20%	--	--	1.30%
Economic Activity IGAE YoY	24 Oct	Aug	1.10%	--	--	1.69%
Bi-Weekly CPI	24 Oct	2-Oct	0.34%	--	--	0.01%
Trade Balance	25 Oct	Sep P	-256.6M	--	--	-234.2M
Overnight Rate	25 Oct	2-Oct	3.50%	--	--	3.75%

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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