

# Latam Daily Flash

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**Economic Analysis**

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*Fitch upgraded Peru's sovereign rating to BBB+ to reflect positive growth prospects and limited fiscal, external and economic policy risks. In addition, labor market figures supported our view that consumption will be one of the main drivers of GDP growth in 3Q13 in Peru, which we also expect to be suggested by labor market data in Brazil today. Finally, in Mexico we expect the IGAE to point to some recovery in economic activity in August and inflation in the beginning of October to reveal no demand-side pressures.*

## Peru - Fitch upgraded long-term sovereign debt rating to BBB+

The main drivers for this decision were a positive view on the fiscal balance sheet, good GDP growth prospects and Peru's capacity to cope with external shocks. The agency also noted that, under the current administration, the "risk of a marked departure of economic policies has reduced". In our view, these strengths will attenuate the rise in financial costs resulting from the process of monetary normalization in global markets.

## Peru - The pace of employment expansion remained resilient in August

Employment in cities grew 2.4% in August. Even though this rate is lower than the readings in the first half of the year (3.6% on average), it is still a good print, more so considering that unemployment is at record lows (below 6% in Lima). Thus, this result is consistent with our view that economic activity is in a process of cyclical moderation towards its long-term trend. On the other hand, the healthy situation of the labor market suggests that consumption will continue to be one of the main drivers of GDP growth in the months ahead.

## Chile - Financial Traders Survey reveals expectations of a stable policy rate in November

As expected, the survey for the second half of October came out with inflation estimates at around 0.0% MoM for the current month (in line with our view). The results also reflected expectations of the monetary policy rate stable at 4.75% at November's meeting, although on a 3-month horizon the traders anticipate a 25bp cut (both in line with our view). Finally, traders forecast a slight depreciation of the currency to reach USDCLP 510 on a 3-month horizon.

## What to watch today

### Brazil - Unemployment rate (September, 08:00hrs NYT)

We expect the unemployment rate to reach 5.2% at the end of the 3Q13e, close to its all-time low, and to support our view that private consumption will contribute more to GDP growth in 3Q13 than in 2Q13.

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

Following the weaker than expected retail sales data earlier this week, the Economic Activity Index (IGAE) will provide more information about the pace of acceleration in economic activity in the third quarter. In July, the IGAE index rose slightly in annual terms (0.9% sa). In August, a somewhat better performance of industrial activity (0.5% MoM sa) and a marginal increase in formal employment in the services sector (0.2% MoM sa) suggest some improvement. We expect a 1.2% YoY sa increase in the IGAE index.

## Mexico – Inflation (1st fortnight of October, 09:00hrs NYT)

We expect inflation data for the first fortnight of October to confirm the absence of demand-side inflation pressures in a context of ample economic slack. We expect a 0.51% FoF increase in headline inflation, equivalent to 3.39% YoY. We anticipate core inflation will increase 0.13% FoF in the period, equivalent to 3.46% YoY.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
FGV Consumer Confidence	23 Oct	Oct	--	--	111.7	114.2
FGV CPI IPC-S	23 Oct	2-Oct	0.50%	--	0.49%	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
<b>Chile</b>						
Central Bank's Traders Survey	23 Oct	--	--	--	--	--
<b>Colombia</b>						
Trade Balance	22 Oct	Aug	\$156.1	\$439.3	\$241.5	-\$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%
<b>Mexico</b>						
Retail Sales YoY	21 Oct	Aug	1.20%	--	-2.20%	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

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

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