

# Latam Daily Flash

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**Economic Analysis**

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*In addition to cutting the overnight rate by 25bp to 3.50%, Banxico suggested that there will be no further easing of its monetary policy in the "foreseeable future", which was also in line with our view. In Colombia, the monetary authority maintained the policy rate unchanged at 3.25%, made no announcement regarding the USD dollar programme and adjusted its 2013 GDP forecasts to a range between 3.5% and 4.5%.*

## Mexico - Banxico cut the overnight rate to 3.50% and closed the door to further easing

As widely anticipated, Banxico delivered a 25bp rate cut, taking the overnight rate down to 3.50%. As we anticipated in Friday's Latam Daily, even if Banxico left the wording of the monetary policy statement similar to the last statement, thus giving itself room for an additional cut if needed (which it did not and in fact the wording is somewhat less dovish), in our view the current 3.50% was likely to be the floor for Mexico's overnight rate. Consistent with our view that the room for an additional rate cut was fairly small, in the closing paragraph of the monetary policy statement the bank noted that "further reductions in the target reference interest rate would not be advisable for the foreseeable future", thus closing the easing cycle. We expect Banxico to maintain the current 3.50% reference rate unchanged until it begins a rising interest rate cycle in 4Q15 (see our [Banxico Flash](#) for details).

## Colombia - BanRep unanimously maintained its policy rate at 3.25% and narrowed its 2013 GDP growth forecast

The central bank unanimously maintained its intervention rate at 3.25% with continued optimism about activity and narrowed its 2013 GDP growth forecast range to 3.5% to 4.5% (from 3.0% to 4.5%). The bank's continued optimistic tone rules out further rate cuts for the remainder of the year and focuses the discussion on the timing of the first interest rate hike, which we anticipate for April of 2014e (see our [Colombia Flash](#)).

## Brazil - Stable current account deficit in September

The yearly current account deficit reached 3.6% of GDP (USD80.5bn), stable in comparison to August (3.6% and USD80.5bn) in spite of a higher than expected monthly deficit in September (USD2.6bn). The data released on Friday showed that an improvement in the trade balance in September was accompanied by a much reduced deficit in the revenue account (due to a net inflow of profits and dividends) rather than by a significant reduction in the services account (due to the resilience of items such international travel and equipment rental). All in all, this external data confirmed our view that the current account deficit will stabilise at around 3.5%-3.6% from September onwards after trending up significantly recently.

## Peru - Credit continued to expand at a robust pace in September

Bank credit grew 15.9% YoY in September supported by the central bank easing reserve requirements. Even though this reading is below August's (16.4%), it is still higher than results earlier in the year. In the months ahead, we expect credit to continue to expand at a robust pace, taking into account that reserve requirements were further relaxed in October. In our view, this will be one of the drivers of an acceleration in private spending in the latter part of the year.

## What to watch today

No relevant data will be published today

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Construction Costs MoM	28 Oct	Oct	0.35%	--	--	0.43%
Outstanding Loans MoM	29 Oct	Sep	--	--	--	1.30%
FGV Inflation IGPM MoM	30 Oct	Oct	0.91%	--	--	1.50%
Primary Budget Balance	31 Oct	Sep	0.4B	--	--	-0.4B
FGV CPI IPC-S	1 Nov	31 Oct	0.51%	--	--	0.49%
Industrial Production MoM	1 Nov	Sep	1.30%	1.50%	--	0.00%
Trade Balance Monthly	1 Nov	Oct	\$1200M	\$2200M	--	\$2147M
<b>Chile</b>						
Manufacturing Index YoY	29 Oct	Sep	2.30%	1.90%	--	-2.00%
Retail Sales YoY	29 Oct	Sep	10.10%	9.10%	--	12.00%
Copper Production Total	29 Oct	Sep	--	--	--	492883
Unemployment Rate	30 Oct	Sep	5.80%	5.80%	--	5.70%
<b>Colombia</b>						
Budget Balance	30 Oct	Sep	--	--	--	-\$3678B
Urban Unemployment Rate	31 Oct	Sep	10.00%	10.4%	--	10.30%
PPI MoM	1 Nov	Oct	--	--	--	-0.16%
<b>Mexico</b>						
Budget Balance YTD	31 Oct	Sep	-115.81B	--	--	-113.90B
Net Outstanding Loans	31 Oct	Sep	--	--	--	2416B
<b>Peru</b>						
CPI MoM	1 Nov	Oct	0.03%	--	--	0.11%
Wholesale Price Index MoM	1 Nov	Oct	--	--	--	0.52%

## Most recent Latam reports

Date	Description
25-10-2013	<a href="#">➤ Flash México: As BBVA Research anticipated, Banxico cut the monetary policy rate by 25 basis points and dismissed another rate cut</a>
25-10-2013	<a href="#">➤ Flash Colombia: BanRep kept by unanimity its policy rate at 3.25% and narrowed its 2013 GDP growth forecast</a>
24-10-2013	<a href="#">➤ Mexico Inflation Flash: Core inflation remains subdued while non-core inflation was lower than anticipated</a>
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 Retails 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>

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