

Latam Daily Flash

5 November 2013 Economic Analysis

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Today Chile's monetary policy minutes and monthly activity index will be published. The former will be especially important in light of recent MPR moves, while the latter will provide more clues on GDP growth and we expect it to favour the MPR remaining unchanged in November.

Peru - October Inflation was in line with market expectations

The consumer price index remained stable in October (0.0% MoM, in line with both BBVAe and consensus), due to the decline in food and fuel prices, which were offset by the higher prices of medical products. As a result, annual inflation stood at 3.0%, at the upper limit of the central bank's target range (2% +/- 1pp). For the next few months, we do not expect any inflationary pressures, leaving the Central Bank with room to continue easing its monetary policy stance (through reductions in reserve requirements) in the event that the GDP growth rate were to weaken.

Peru - Leading indicators suggest that GDP growth remained moderate in September

The cement consumption index contracted by 1.2% in September, which anticipates a decline in Construction activity for the month. Additionally, mining output fell 2.1% in the same period. These sectors had been key drivers for GDP growth in previous months, and as a result, their performance in September suggests that economic activity remained moderate at the end of the third quarter. We expect both sectors to recover in the coming months, in line with an expected acceleration in domestic demand and the opening of new copper mines (Toromocho).

Mexico - Consumer confidence fades in October

Consumer confidence decreased to 92.1 in October from 92.8 in September (downwardly revised from 94.1). The weaker than expected reading was driven lower by four of its five components. Meanwhile, producer confidence also weakened in October, decreasing from 52.7 in September to 51.7.

What to watch today

Chile - Monetary policy minutes (October, 7:30 hrs NYT)

We expect the minutes to reveal the details of the Board's debate about policy options, between the maintenance of the MPR and a preventative cut, in a scenario where headline inflation is still within the tolerance range. On the external front, the postponing of changes in global liquidity conditions related to the Fed's tapering and the US government shutdown will be the main concerns. On the other hand, the deceleration in local activity was probably the main reason for the preventative cut of 25bp in the monetary policy rate during October.

Chile - Monthly activity index (September, 7:30 hrs NYT)

We expect the monthly economic activity index (Imacec) to have increased 3.9% YoY in September (-0.5% MoM sa), consolidating a GDP growth of 4.4% YoY in 3Q13. Once again, the print should be mainly driven by retail sales and mining output, partially offset by manufacturing production. Overall, we think this figure should still favour the policy rate being maintained in November, after a first cut of 25pb in October.

Colombia - Consumer inflation (October, 20:00 hrs NYT)

We expect a slight annual decline to 2.22% YoY (vs. 2.27% YoY in September) with a monthly variation of 0.11% MoM, explained by a decrease in regulated prices, more specifically petrol prices. Core prices should continue with the upward trend observed throughout the year.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Monthly	4 Nov	Oct	0.43%	--	0.48%	0.25%
PMI Services	5 Nov	Oct	--	--	--	50.7
FGV Inflation IGP-DI MoM	6 Nov	Oct	0.74%	--	--	1.36%
Commodity Price Index MoM	6 Nov	Oct	-2.81%	--	--	-2.82%
Vehicle Production Anfavea	6 Nov	Oct	--	--	--	332029
IBGE Inflation IPCA MoM	7 Nov	Oct	0.60%	0.55%	--	0.35%
CNI Capacity Utilization (SA)	7 Nov	Sep	82.15%	--	--	82.00%
IGP-M Inflation 1st Preview	8 Nov	Nov	0.60%	--	--	0.85%
FGV CPI IPC-S	8 Nov	Nov	0.60%	--	--	0.55%
Chile						
Economic Activity YoY	5 Nov	Sep	4.15%	3.90%	--	4.10%
Central Bank Meeting Minutes	5 Nov	--	--	--	--	--
Trade Balance	7 Nov	Oct	-\$132	--	--	-\$220
Exports Total	7 Nov	Oct	--	--	--	\$5853
Imports Total	7 Nov	Oct	--	--	--	\$6074
CPI YoY	8 Nov	Oct	1.44%	0.00%	--	2.00%
Colombia						
CPI MoM	6 Nov	Oct	0.13%	0.11%	--	0.29%
CPI Core MoM	6 Nov	Oct	--	0.07%	--	0.26%
Exports FOB	8 Nov	Sep	--	\$4850	--	\$4978.3
Colombia Monetary Policy Minutes	8 Nov	--	--	--	--	--
Mexico						
Consumer Confidence Index	4 Nov	Oct	92.80	--	91.2	94.10
Central Bank 3Q Inflation Report	6 Nov	--	--	--	--	--
CPI MoM	7 Nov	Oct	0.46%	--	--	0.38%
CPI Core MoM	7 Nov	Oct	0.19%	--	--	0.32%
Gross Fixed Investment	8 Nov	Aug	-3.00%	--	--	-0.40%
Central Bank Monetary Policy Minutes	8 Nov	--	--	--	--	--
Vehicle Production AMIA	8 Nov	Oct	--	--	--	241740
Peru						
Reference Rate	8 Nov	Nov	4.25%	4.25%	--	4.25%

Most recent Latam reports

Date	Description
4-11-2013	➤ Flash Perú: October Inflation was in line with market expectations
1-11-2013	➤ Mexico Economic Watch: Update of Fiscal Reform: approved in both Chambers with few changes
1-11-2013	➤ Mexico Migration Flash: Remittances increase by 8.1% in September, above expectations
29-10-2013	➤ Mexico Real Estate Flash: Mortgage loans in the banking system continue to grow
29-10-2013	➤ Flash Chile: Imacec would expand at 3,9% YoY in September
28-10-2013	➤ Flash Chile: No cut of the MPR in November's meeting
28-10-2013	➤ Economic Watch: Financial integration in the Pacific Alliance (in Spanish)
28-10-2013	➤ Flash Chile: Fiscal implications of Bachelet's programme for Government (in Spanish)
25-10-2013	➤ Flash México: As BBVA Research anticipated, Banxico cut the monetary policy rate by 25 basis points and dismissed another rate cut
25-10-2013	➤ Flash Colombia: BanRep kept by unanimity its policy rate at 3.25% and narrowed its 2013 GDP growth forecast

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