

Latam Daily Flash

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Economic Analysis

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In its Quarterly Inflation Report, Banxico reiterated its intention to keep the policy rate unchanged in the foreseeable future. Today we expect the central bank of Peru to leave its monetary policy rate unchanged. Besides this, today we expect inflation prints in Brazil and Mexico to confirm the downward trend in the former and the absence of demand-side pressures in the later.

Mexico – Banxico reiterates its intention to keep interest rates unchanged in the foreseeable future

In its quarterly inflation report for the third quarter of 2013, Banxico lowered its GDP growth forecasts from the 2%-3% range to 0.9%-1.3% for 2013 (BBVAe: 1.2%) and from the 3.2%-4.2% range to 3.0-4.0% (BBVAe: 3.1%) for 2014. With regard to the impact of the recently approved fiscal reform, Banxico estimates a net positive fiscal boost of 20bp on growth and a transitory 40bp effect on inflation in 2014. Banxico expects inflation to end the year at 3.5% (BBVAe: 3.43%) and to average 3.5% in 2014 (BBVAe: 3.8%). With regard to monetary policy, Banxico reiterated its intention to remain on hold on the back of its expectation of diminishing economic slack, while pointing out that the real interest rate is already close to zero. The inflation report reinforces our view that Banxico is likely to keep rates on hold for an extended period.

What to watch today

Brazil – Inflation: IPCA (October, 08:00hrs NYT)

We expect annual inflation to have continued its downward trend in October and to stand at 5.8% YoY (0.55% MoM), slightly below September's 5.9% and August's 6.1%. However, we believe that the downward trend in inflation is close to its end, and we expect an uptick in November.

Mexico – Inflation (October, 09:00hrs NYT)

We expect inflation data for October to confirm the absence of demand-side inflation pressures in a context of ample economic slack. We expect a 0.43% MoM increase in headline inflation, equivalent to 3.31% YoY, and a 0.13% MoM increase in core inflation, equivalent to 2.44% YoY.

Peru – Monetary policy meeting (November, 19:30hrs NYT)

We expect the central bank to keep its policy rate at 4.25% in November. We expect inflation to gradually converge to the target range (2%, +/- 1pp) next year (this year we expect it to close at 3.2%), due to the reversion of supply shocks that have impacted food prices in the last few months, in a context of subdued demand pressures.

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	--	--	52.1	50.7
FGV Inflation IGP-DI MoM	6 Nov	Oct	0.74%	--	0.63%	1.36%
Commodity Price Index MoM	6 Nov	Oct	-2.81%	--	-2.67%	-2.82%
Vehicle Production Anfavea	6 Nov	Oct	--	--	323776	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%	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%	-0.26%	0.29%
CPI Core MoM	6 Nov	Oct	--	0.07%	0.03%	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	6 Nov	Oct	--	--	285230	241740
Peru						
Reference Rate	8 Nov	Nov	4.25%	4.25%	--	4.25%

Most recent Latam reports

Date	Description
6-11-2013	➤ Chile Economic Outlook: Fourth Quarter 2013 (in Spanish)
6-11-2013	➤ Colombia Flash: October inflation surprised on the downside by falling 0,26% MoM and reducing annual inflation (1,84%) below the target range
5-11-2013	➤ Flash Chile: Monthly activity reached 3.9% YoY in September (in Spanish)
5-11-2013	➤ Chile Economic Watch: 3Q13 Budget Execution: More revenue and less expenditure
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

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