

Latam Daily Flash

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In Chile the financial traders' survey anticipates a cut in the policy rate at next week's meeting, however we maintain a more cautious stance regarding the pace of rate cuts. We believe today's economic activity indicator in Brazil should be in line with the recent weak economic performance, slightly supported by private consumption but less than expected.

Chile - Financial traders expect the policy rate to be cut by 25bp in November

In contrast to yesterday's economic expectation survey outputs, the traders' survey results revealed expectations of a 25bp cut in the policy rate at next week's meeting (our call is for the rate to be left unchanged) and further cuts in a 12-month horizon towards 4.0%. Although the expected size of the monetary easing is in line with our assumptions for next year, we maintain a more cautious stance regarding the pace of rate cuts. The emerging possibility of imbalances due to increasing debt-leverage of some household segments (something that is also reflected in the current account deficit figures) could make it difficult for the CB to accelerate its cuts. Nonetheless, the incipient drop in long-term inflation expectations to below the target and the market necessity for further CLP depreciation could force the monetary authorities to adopt a more dovish bias once again, something that was excluded from the latest monetary policy communiqué when the CB surprisingly cut rates by 25bp.

Brazil - Retail sales increased less than expected in September, but we still expect private consumption to support GDP in 3Q13

Core retail sales increased 0.5% MoM in September, somewhat below expectations (BBVA: 0.9% MoM; consensus: 0.8% MoM). The broad retail indicator declined 0.7% MoM due to a 5.1% MoM contraction in auto sales (which are not included in the core retail sales indicator). Even though core retail sales surprised to the downside and the broad indicator declined in September, the more positive performance in the two previous months guarantees a 3.3% QoQ / 0.2% QoQ growth in core/broad retail sales in 3Q13, which we see as being consistent with a 0.35% QoQ growth in private consumption in the quarter. Nonetheless, less supportive external demand and a contraction in investment should imply a 0.1% QoQ decline in 3Q13 GDP.

What to watch today

Brazil - IBC-Br (September, 05:30hrs NYT)

The IBC-BR, the BCB's economic activity indicator, should have increased 0.3% MoM in September according to our forecasts. Recent activity data, such as September's retail sales released yesterday (see above), however, suggest that a weaker print should not come as a surprise.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	11 Nov	Nov	0.54%	--	0.55%	0.39%
Central Bank Weekly Economists Survey	11 Nov	--	--	--	--	--
Retail Sales MoM	13 Nov	Sep	0.70%	0.80%	0.50%	0.90%
FGV Inflation IGP-10 MoM	14 Nov	Nov	0.45%	--	--	1.11%
Economic Activity MoM	14 Nov	Sep	0.20%	0.30%	--	0.08%
Formal Job Creation Total	14 Nov	Oct	113900	--	--	211068
Tax Collections	15 Nov	Oct	--	--	--	84212M
Chile						
Central Bank's Economist Survey	12 Nov	--	--	--	--	--
Central Bank's Traders Survey	13 Nov	--	--	--	--	--
Colombia						
Central Bank's Economists Survey	12 Nov	--	--	--	--	--
Consumer Confidence Index	14 Nov	Oct	--	20	--	14.6
Mexico						
Industrial Production YoY	11 Nov	Sep	-0.45%	--	-1.60%	-0.70%
ANTAD Same-Store Sales YoY	12 Nov	Oct	-0.60%	--	-2.10%	-3.20%
Peru						
Trade Balance	12 Nov	Sep	-\$27M	--	\$32M	\$92M
Unemployment Rate	15 Nov	Oct	5.80%	--	--	5.90%
Economic Activity YoY	15 Nov	Sep	4.20%	--	--	4.30%

Most recent Latam reports

Date	Description
13-11-2013	➤ Latin America Economic Outlook: Fourth Quarter 2013 (in Spanish)
13-11-2013	➤ Uruguay Economic Outlook: Second Half 2013
12-11-2013	➤ Flash Chile: The incipient unanchoring of inflation gains momentum in Chile (in Spanish)
12-11-2013	➤ Colombia Economic Outlook: Fourth Quarter 2013 (in Spanish)
11-11-2013	➤ Economic Watch Pacific Alliance: Financial integration in the PA: High potential and major challenges to successful integration
8-11-2013	➤ Flash Chile: CPI in October at +0.1% MoM pushed by food prices
7-11-2013	➤ Flash Peru: Central Bank surprised by cutting its policy rate
7-11-2013	➤ Mexico Inflation Flash: Core inflation remains subdued while non-core inflation was driven higher by electricity tariffs
7-11-2013	➤ Peru Economic Outlook: Fourth Quarter 2013 (in Spanish)
6-11-2013	➤ Chile Economic Outlook: Fourth Quarter 2013 (in Spanish)

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