

Latam Daily Flash

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Economic Analysis

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GDP in Chile in 3Q13 was slightly above estimates (BBVA and market), driven by a reduced domestic demand dynamic and a sharp increase in mining exports that reduce the risks of current account imbalances in the medium term.

Chile - GDP growth reached 4.7% in 3Q13 driven by mining sector

GDP growth reached 4.7% YoY in 3Q13 (+1.3% QoQ sa), slightly above both our and market estimates (4.4% YoY). Domestic demand slowed at 1.3% YoY, mainly driven by a sharp drop in inventories (actually, domestic demand excluding inventories expanded 4.7% YoY in the quarter), while private consumption and gross investment increased 5.3% YoY and 3.2% YoY respectively. Meanwhile, exports showed a sharp increase of 13.1% YoY, mainly driven by mining exports. Finally, and in line with our estimates, the current account deficit reached 5.1% of GDP in 3Q13, equivalent to USD3.4bn. Despite this figure, the slowdown in investment and consumption should reduce risks of current account imbalances in the medium term. All in all, recent data validate our assessment of a pause in the policy rate at today's monetary policy meeting (see our [Chile Flash](#) for details).

Chile - Reformist winds will remain subdued, despite new composition of Congress

Considering all votes, Bachelet's coalition wins one additional seat in the Senate (from 20 to 21, equivalent to 55% of total representatives) and eleven more seats in Chamber of Deputies (from 57 to 68, equivalent to 56% of total representatives). This new conformation of Congress will contain any rapid constitutional changes, due to the high quorums needed and not achieved. All in all, we anticipate reforms will be gradual and milder than expected, given the outcome of the parliamentary elections.

Colombia - Imports grew, driven by investment not consumption. Residential investment will boost growth in early 2014

Imports grew 10.0% YoY (above our expectations) and the trade balance stood at USD -65.5m (below our outlook). A good performance of capital goods and fuel imports (+14.7% YoY) offset the slowdown in consumption goods purchases (-1.0% YoY). Meanwhile, building permits grew 23.9% YoY and stood at 2.2 million square metres, remaining above historical averages since 2000 (1.4 million). All in all, imports anticipate a recovery in investment faster than expected, although this is the first figure that shows an upturn for this component. However, the unexpected fall in consumer imports might imply a lower growth in household spending than initially considered.

What to watch today

Brazil - IPCA-15 (November, 06:00hrs NYT)

November's IPCA-15, which measures inflation from mid-October to mid-November, is expected to jump to 0.60% MoM from 0.48% MoM in the previous reading and, therefore, bring to a halt the downward trend in annual inflation.

Chile - Monetary policy meeting (November, 17:00hrs NYT)

After cutting the policy rate by 25bp and removing the easing bias in October's communiqué, we expect the Board to keep rates at 4.75% and to reintroduce a dovish bias that will leave the door open for further rate cuts in coming quarters. Nonetheless, we consider that new innovations in the monetary policy rate will take place after the release of the Monetary Policy Report in December, which will contain the revision of the macroeconomic outlook and a better assessment of the local economic slowdown.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	18 Nov	Nov	0.65%	--	0.64%	0.63%
Tax Collections	19 Nov	Oct	98200M	--	--	84212M
Formal Job Creation Total	19 Nov	Oct	97514	--	--	211068
FIPE CPI - Weekly	19 Nov	Nov	0.59%	--	0.55%	0.55%
IGP-M Inflation 2nd Preview	19 Nov	Nov	0.34%	--	--	0.91%
IBGE Inflation IPCA-15 MoM	19 Nov	Nov	0.65%	0.60%	--	0.48%
Unemployment Rate	21 Nov	Oct	5.30%	5.40%	--	5.40%
Current Account Balance	22 Nov	Oct	-\$6780M	-\$6000M	--	-\$2629M
Chile						
GDP QoQ	18 Nov	3Q	1.05%	1.00%	1.30%	0.50%
GDP YoY	18 Nov	3Q	4.40%	4.40%	4.70%	4.10%
Current Account Balance	18 Nov	3Q	-3500	-3500	-3440	-1631
Overnight Rate Target	19 Nov	Nov	4.50%	4.75%	--	4.75%
Colombia						
Trade Balance	18 Nov	Sep	\$250	\$169	-\$65.5	\$241.5
Vehicle Sales	19 Nov	Oct	--	--	--	--
Retail Sales YoY	20 Nov	Sep	5.00%	4.90%	--	6.90%
Industrial Production YoY	20 Nov	Sep	-1.00%	-0.30%	--	-3.90%
Mexico						
Retail Sales YoY	20 Nov	Sep	-2.50%	--	--	-2.20%
GDP SA QoQ	21 Nov	3Q	0.70%	--	--	-0.70%
Economic Activity IGAE YoY	21 Nov	Sep	0.30%	--	--	0.84%
Bi-Weekly CPI	22 Nov	Nov	0.74%	--	--	0.14%
Peru						
GDP YoY	22 Nov	3Q	4.30%	--	--	5.60%

Most recent Latam reports

Date	Description
18-11-2013	➤ Chile Economic Watch: A historic investment boom (in Spanish)
18-11-2013	➤ Chile Flash: GDP growth reached 4.7% YoY in 3Q13 driven by mining sector and affected by another sharp drop of inventories
15-11-2013	➤ Peru Flash: Deceleration of GDP bottomed out in September
14-11-2013	➤ Working paper: Determinants of financial inclusion in Peru (in Spanish)
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

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