

# Latam Daily Flash

## 20 November 2013 Economic Analysis

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*Lower than expected inflation in Brazil, but the recent downward trend in yearly inflation show signs of ending. We expect the Selic to be adjusted upwards by 50bp at next week's meeting. In Colombia industrial production could confirm that manufacturing bottomed-out in September.*

## Chile - Central bank produced another 25bp cut in the policy rate

The board of Chile's central bank decided to lower the monetary policy rate by 25bp at yesterday's meeting, to 4.5%. The board considers that economic activity has continued to evolve at a moderate pace, in line with the scenario depicted in the last Monetary Policy Report. There is again a notable mention of the gradual normalisation of inflation expectations toward 3% within the next 24 months, which came even after a significant depreciation in the exchange rate. We expect a further cut of 25bp at December's meeting, conditional on the ability to anchor long-term inflation expectations after this last unexpected cut (see our [Chile Flash](#) for details).

## Brazil - Lower than expected inflation at the beginning of November

November's IPCA-15, which measures inflation from mid-October to mid-November, came in at 0.57% MoM, below forecasts (BBVAe: 0.60% MoM; Consensus: 0.65% MoM). Therefore, the increase in monthly inflation compared to the previous reading of 0.48% MoM was less marked than expected. Moreover, yearly inflation remained broadly stable (5.78% MoM in November vs. 5.75% in October) instead of showing a clear increase. Anyway, figures released yesterday show that the recent downward trend in yearly inflation is already over. Even though we now see a downside bias in our full-November inflation forecast (0.68% MoM), we continue to expect the IPCA to close the year at 5.8% and the Selic rate to be adjusted upwards by 50bp to 10.0% next week.

## What to watch today

### Brazil - Unemployment rate (October, 06:00hrs NYT)

We expect the unemployment rate to remain stable at 5.4%, which shows a slightly increase in unemployment in seasonally-adjusted terms (from 5.4% to 5.5%). Moreover, we expect real wages to lose some momentum at the beginning of the last quarter of the year. Overall, the figures to be released today should support our view that labour markets are slowly continuing to lose some of their buoyancy.

### Mexico - Retail sales (September, 09:00hrs NYT)

Retail sales were much weaker than expected in August, falling by 1.4% MoM sa, equivalent to -2.3% YoY sa. We anticipate September retail sales will have improved from recent weakness, since ANTAD same-store sales recovered moderately in September (increasing 0.8% MoM sa after decreasing 2.6% MoM sa on average in July-August), and September's job creation was stronger (+94K). As a result, we anticipate that retail sales could have increased 0.8% MoM sa in September, equivalent to -1.2% YoY sa.

### Colombia - Industrial production and retail sales (September, 16:00hrs NYT)

Industrial production will fall again in September (-0.3% YoY according to our forecast). We will be looking at the trends in some sectors in particular to confirm that manufacturing bottomed-out this month, as some indicators suggest. On the other hand, retail sales are expected to grow 4.9% YoY due to a better performance of durable goods (except cars) and an upturn in food purchases.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
FGV CPI IPC-S	18 Nov	Nov	0.65%	--	0.64%	0.63%
Tax Collections	19 Nov	Oct	98200M	--	100999M	84212M
Formal Job Creation Total	21 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%	--	0.30%	0.91%
IBGE Inflation IPCA-15 MoM	19 Nov	Nov	0.65%	0.60%	0.57%	0.48%
Unemployment Rate	21 Nov	Oct	5.30%	5.40%	--	5.40%
Current Account Balance	22 Nov	Oct	-\$6780M	-\$6000M	--	-\$2629M
<b>Chile</b>						
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%	4.50%	4.75%
<b>Colombia</b>						
Trade Balance	18 Nov	Sep	\$250	\$169	-\$65.5	\$241.5
Vehicle Sales	20 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%
<b>Mexico</b>						
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%
<b>Peru</b>						
GDP YoY	22 Nov	3Q	4.30%	--	--	5.60%

## Most recent Latam reports

<b>Date</b>	<b>Description</b>
19-11-2013	<a href="#">➤ Chile Flash: Central Bank materialized another 25bp cut in the policy rate</a>
18-11-2013	<a href="#">➤ Chile Economic Watch: A historic investment boom (in Spanish)</a>
18-11-2013	<a href="#">➤ Chile Flash: GDP growth reached 4.7% YoY in 3Q13 driven by mining sector and affected by another sharp drop of inventories</a>
15-11-2013	<a href="#">➤ Peru Flash: Deceleration of GDP bottomed out in September</a>
14-11-2013	<a href="#">➤ Working paper: Determinants of financial inclusion in Peru (in Spanish)</a>
13-11-2013	<a href="#">➤ Latin America Economic Outlook: Fourth Quarter 2013 (in Spanish)</a>
13-11-2013	<a href="#">➤ Uruguay Economic Outlook: Second Half 2013</a>
12-11-2013	<a href="#">➤ Flash Chile: The incipient unanchoring of inflation gains momentum in Chile (in Spanish)</a>
12-11-2013	<a href="#">➤ Colombia Economic Outlook: Fourth Quarter 2013 (in Spanish)</a>
11-11-2013	<a href="#">➤ Economic Watch Pacific Alliance: Financial integration in the PA: High potential and major challenges to successful integration</a>

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