

Latam Daily Flash

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Economic Analysis

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Economic activity in Mexico expanded 0.8% QoQ sa in 3Q, rebounding slightly more than expected. Besides that, there were small upward revisions to 1Q and 2Q13 growth figures. In Brazil, the Congress passed a law that in practice will allow the federal government to meet this year's fiscal target by delivering a lower primary surplus. In our view, this decision creates room for even higher concerns on fiscal issues.

Mexico - 3Q13 GDP growth figures came in slightly stronger than anticipated

The Mexican economy expanded 0.8% QoQ sa in 3Q, slightly above expectations (BBVAe: 0.7%, consensus: 0.7%). Besides that, growth data for the first and second quarter were revised up from 0.0% and -0.7% QoQ sa to 0.2% and -0.6%, respectively. The slightly stronger-than-expected rebound in economic activity, together with the upward revisions to growth figures for 1Q and 2Q, put a small upward bias on our 1.2% YoY 2013 forecast. This will become clearer if INEGI makes further upward revisions to the historical series. The industrial and services sectors grew by 0.9% and 1.3% YoY respectively, offsetting the 0.5% YoY contraction in primary activities. We continue to expect a strengthening of economic activity, and accordingly we maintain our 1.0% QoQ sa growth forecast for 4Q (see our [Mexico Flash](#) for details).

Brazil - Fiscal noise

In the last few days, a series of fiscal-related measures have been taken by the government, in an attempt to address some of the recent criticism and avoid a sovereign downgrade before next year's general elections. Among these measures, we highlight the plan to reduce unemployment insurance payments, a political pact to support "fiscal responsibility" and the withdrawal of the government's support for a project to review sub-national governmental debt, that could end up creating room for extra fiscal expenditure. More importantly, and somewhat paradoxically, Congress passed a law exempting the federal executive from generating an extra primary surplus, to compensate for any below-target results at the sub-national level. This law paves the way for the federal government to officially meet this year's targets by delivering a lower primary surplus. We see this as a negative development, which offsets the positive impact of the other measures announced in the last few days, and creates room for rising concerns about fiscal issues in Brazil.

Brazil - Unemployment rate falls; wage growth slowdowns

The unemployment rate came in at 5.2% for October, a record-low figure for the month. The rate was lower than in September (5.4%) and better than expected (BBVA: 5.4%; consensus: 5.3%). In seasonally-adjusted terms, the unemployment rate decline was slightly lower (from 5.4% in the previous reading to 5.3%). Real wages remained broadly stable after two months of over 1.0% MoM growth. All in all, labour markets continue to provide higher-than-expected support for domestic demand.

Colombia - Santos will register his candidacy for re-election this Monday, with moderate probability of winning

Santos confirmed his hopes of being re-elected for the next presidential term (2014-2018). The most recent popularity polls show a fall in his approval ratings from 58% in June to 21% in August, with a slight recovery in November to 29% (Gallup poll). These levels are the lowest seen since his term of office began, and are the result of social unrest during August and September in the agricultural, education and mining sectors. Santos' main rival for the time being is Oscar Ivan Zuluaga, who was former president Uribe's Finance Minister, and he is likely remain so until the elections in May. Polls show that Santos would win by a 10% margin in a run-off with Zuluaga. Regardless of who wins, economic policies and institutional reforms will remain pro-market.

What to watch today

Brazil - External accounts (October, 07:00hrs NYT)

The current account deficit should increase to around USD 6. bn in October from USD 2.6bn in September due to a new deterioration in the trade balance. However, the deficit will not be far way from the monthly average in the year up to date (USD 6.7bn) and the yearly current account deficit should remain around 3.6% of GDP.

Mexico - Inflation (first fortnight of November, 09:00hrs NYT)

The inflation figure for the first fortnight of November will continue to show stability in year-on-year inflation and no demand pressures. Nonetheless, high bi-weekly inflation is expected, due to the seasonal adjustment of electricity prices and pressures on agricultural products, in line with our daily monitoring of them. In bi-weekly terms, we expect an increase in headline inflation of 0.71% and 0.16% for core inflation, with both remaining stable in year-on-year terms at 3.37% and 2.48% respectively (vs. 3.36% and 2.48% in the second fortnight of October). As part of the non-core component, in addition to forecasting a 7.2% increase in the energy price sub-index due to the seasonal adjustment (i.e. the end of summer subsidies in many cities), we also forecast stronger pressures on agricultural prices than those in the second half of October (3.5% bi-weekly vs. 2.9% in the second half of October).

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	--	100999M	84212M
Formal Job Creation Total	21 Nov	Oct	97514	--	94893	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%	5.20%	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%	4.50%	4.75%
Colombia						
Trade Balance	18 Nov	Sep	\$250	\$169	-\$65.5	\$241.5
Vehicle Sales	22 Nov	Oct	--	--	--	--
Retail Sales YoY	20 Nov	Sep	5.00%	4.90%	2.30%	6.90%
Industrial Production YoY	20 Nov	Sep	-1.00%	-0.30%	-1.80%	-3.90%
Mexico						
Retail Sales YoY	20 Nov	Sep	-2.50%	-1.20%	-4.00%	-2.20%
GDP SA QoQ	21 Nov	3Q	0.70%	0.70%	0.84%	-0.70%
Economic Activity IGAE YoY	21 Nov	Sep	0.30%	1.10%	0.79%	0.84%
Bi-Weekly CPI	22 Nov	Nov	0.74%	0.71%	--	0.14%
Peru						
GDP YoY	22 Nov	3Q	4.30%	3.70%	--	5.60%

Most recent Latam reports

Date	Description
21-11-2013	➤ Mexico GDP Flash: In line with our forecast, the (seasonally adjusted) quarterly economic growth for the 3Q13 was 0.8%
20-11-2013	➤ Mexico Economic Outlook: Fourth Quarter 2013 (in Spanish)
20-11-2013	➤ Brazil Economic Outlook: Fourth Quarter 2013
20-11-2013	➤ Chile Economic Outlook: Fourth Quarter 2013
20-11-2013	➤ Paraguay Economic Outlook: Second Half 2013 (in Spanish)
20-11-2013	➤ Colombia Economic Watch: Natural interest rate 2000-2015 (in Spanish)
19-11-2013	➤ Chile Flash: Central Bank materialized another 25bp cut in the policy rate
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

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