

Latam Daily Flash

29 November 2013
Economic Analysis

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The novelty in Brazil's credit report is the moderation in credit expansion by public banks, which we see as positive news. Today's fiscal report will be important in terms of the extent of the government's commitment to "fiscal responsibility". We expect BanRep to maintain its policy rate unchanged and also maintain its optimistic tone.

Brazil - The credit slowdown continues, now also supported by public banks

After years of growing at very robust pace, credit from the public banks is starting to show signs of moderation amid the government's concerns of a credit downgrade (rating agencies, among others, have been criticising the excessive credit expansion at the public banks). More precisely, public credit grew by 0.6% MoM in October for the second consecutive month in contrast to the 1.8% MoM average growth in the year to September. This slowdown, which we see as positive news in spite of the negative effect it could have on economic activity in the short term, builds on the moderation in private credit we have been observing this year. All in all, the total credit stock continued to slow, expanding by "only" 0.5% MoM / 14.7% YoY in October. The credit report released today also showed that credit conditions continued to worsen in line with the ongoing tightening of monetary policy and that non-performing loans remained broadly stable at 3.2%.

What to watch today

Colombia - Monetary policy meeting (November, time unspecified)

We expect BanRep to maintain its policy rate unchanged at 3.25% during today's Board meeting, despite the recent lower than expected inflation print (October: -0.26% MoM, 1.84% YoY). We also expect the central bank's tone to remain optimistic and reiterate that the current monetary stance is expansive. We do not expect announcements regarding the ongoing USD purchase programme.

Brazil - Fiscal report (October, 07:30hrs NYT)

The concerns regarding Brazil's fiscal accounts increase the importance of the BCB's fiscal report to be released today. Markets will focus on the primary surplus figures to fine-tune their forecasts for the year (we expect the public sector's primary surplus to reach 1.8% of GDP this year), and to see to what extent the government is really committed to its renewed "fiscal responsibility".

Chile - Activity data by sector (October, 8:00hrs NYT)

We estimate retail sales expansion of 6.6% YoY in October, consistent with further deceleration in durables. Meanwhile, manufacturing output should decrease by 2.1% YoY in the period, mainly related to a high comparison base in October 2012. With this data, we anticipate monthly aggregate activity growth (Imacec) of between 3.3% and 3.8% YoY in the month. The latter is still consistent with our GDP growth forecast of 4.2% for 2013e.

Chile - Unemployment rate (October, 8:00hrs NYT)

We expect the unemployment rate to increase slightly to 5.8% during the moving quarter August-October (5.7% previously), due to a mild annual decline in payroll growth that will be partially offset by increases in self-employment. These figures should still point to a less tight labour market than in previous months.

Colombia - Unemployment rate (October, 16:00hrs NYT)

The urban unemployment rate should stand at 9.5%, in line with market consensus (9.5%) and similar to last month's figure (seasonally-adjusted). Job-creation figures should be more or less in line with last month's YoY variation (1.9%), supporting the expected growth in private consumption.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Consumer Confidence	25 Nov	Nov	--	--	112.8	111.7
FGV CPI IPC-S	25 Nov	Nov	0.66%	--	0.67%	0.64%
FIPE CPI - Weekly	27 Nov	Nov	0.54%	--	0.52%	0.55%
Selic Rate	27 Nov	--	10%	10%	10%	9.50%
FGV Inflation IGPM MoM	28 Nov	Nov	0.33%	--	0.29%	0.86%
PPI Manufacturing MoM	28 Nov	Oct	--	--	-0.37%	0.62%
Total Outstanding Loans	28 Nov	Oct	--	--	2610B	2598B
Primary Budget Balance	29 Nov	Oct	10B	--	--	-9.0B
Chile						
Manufacturing Index YoY	29 Nov	Oct	-2.10%	-2.10%	--	-1.00%
Retail Sales YoY	29 Nov	Oct	7.10%	6.60%	--	7.00%
Unemployment Rate	29 Nov	Oct	5.70%	5.80%	--	5.70%
Colombia						
Outstanding Loans YoY	29 Nov	Sep	--	--	--	15.89%
Industrial Confidence	26 Nov	Oct	--	3	-1.4	0.4
Retail Confidence	26 Nov	Oct	--	18	17.5	16.7
National Unemployment Rate	29 Nov	Oct	--	9.50%	--	9.00%
Overnight Lending Rate	29 Nov	--	3.25%	3.25%	--	3.25%
Mexico						
Unemployment Rate	25 Nov	Oct	5.15%	5.20%	5.01%	5.29%
Current Account Balance	25 Nov	3Q	-\$4000M	-\$3390M	-\$5457M	-\$6008M

Most recent Latam reports

Date	Description
28-11-2013	➤ Brazil Flash: End of the monetary tightening cycle at sight
27-11-2013	➤ Brazil Economic Outlook: Fourth Quarter 2013 (in Spanish)
26-11-2013	➤ Flash Chile: Budget discussion will not expand expenditure further (in Spanish)
26-11-2013	➤ Mexico Real Estate Flash: Bank mortgage loans up 3.9%
25-11-2013	➤ Chile Flash: We expect November's CPI to increase 0.2% MoM. By the end of 2013 CPI will have increased at least 2.4% YoY (in Spanish)
25-11-2013	➤ Chile Flash: Chairman of the Central Bank attempts to moderate and align private expectations, anticipating a monetary policy report on the same line (in Spanish)
22-11-2013	➤ Latam Economic Outlook: Fourth Quarter 2013
22-11-2013	➤ Peru Economic Outlook: Fourth Quarter 2013
22-11-2013	➤ Chile Flash: Imacec should increase between 3.3% and 3.8% YoY in October
22-11-2013	➤ Mexico Inflation Flash: Inflation in the first fortnight of November

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