

# Latam Daily Flash

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Economic Analysis

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*Minutes in Chile revealed that central bank will probably adopt a wait and see stance during the coming months. Today activity figures should still favour the policy rate being maintained in December, after two consecutive 25bp cuts.*

## Brazil - Industrial output expanded in October

Industrial production grew 0.6% MoM in October, more than markets expected (BBVAe: 0.1% MoM; consensus: 0.1% MoM). This is the third consecutive month of positive growth after industrial output declined 2.5% MoM in July (August: 0.2% MoM; September: 0.5% MoM). By components, the production of capital goods expanded 0.9% MoM while the growth in the production of both consumption and intermediate goods was lower, 0.3% MoM. Industrial figures support our view that economic activity will gain some momentum at the end of the year and that 4Q13e GDP will grow around 0.4% QoQ after having declined 0.5% in 3Q13.

## Chile - Minutes of monetary policy meeting anticipate pauses in the policy rate in the short term

The main message from November's minutes is that the central bank will probably adopt a *wait and see* stance during the coming months, after two consecutive 25bp cuts in the policy rate (now at 4.5%). Although the minutes revealed maintenance as a policy option, the Board discarded it rapidly, highlighting that the ongoing deceleration is reaching all components of domestic demand. In terms of prices, the Board also highlighted that convergence towards its 3% goal will be slower than anticipated, which we have been reflecting in our expectations for some considerable time. In this context we still estimate further, albeit gradual, cuts in the policy rate during 1H14e to reach 4% (25bp below the path for policy rates depicted in the last Monetary Policy Report). All in all, we expect pauses in the short term as a reflection of the Board's *wait and see* stance, after a 50bp adjustment in the policy rate. Monetary policy will remain data-dependent.

## Mexico - Consumer and producer confidence below expectations

Consumer and producer confidence indexes registered a higher-than-expected decline in November. Consumer confidence fell 1.5% MoM to 91.7 points sa (BBVAe: -0.4% MoM, 93.7 points) while producer confidence fell 1.6% MoM to 50.8 (BBVAe: -0.7% MoM, 52.1 points). It appears that we will have to wait for further improvements in manufacturing and the labour market before seeing any improvement in these indices.

## What to watch today

### Brazil - Monetary policy minutes (5:30hrs NYT)

In line with the [changes in last week's communiqué](#), the minutes of the last monetary policy meeting should suggest that the BCB is preparing to bring the present tightening cycle to a halt in January. We expect a final 25bp upwards adjustment and then a stable Selic rate at 10.25% for the rest of 2014e.

### Chile - Monthly activity index (October, 07:30hrs NYT)

We expect the monthly economic activity index (Imacec) to have increased 4.5% YoY in October (+1.0% MoM sa). Once again, the print should be mainly driven by retail sales and mining output, partially offset by manufacturing production. Overall, we think this figure should still favour the policy rate being maintained in December, after two 25bp cuts in the last two months.

**Colombia - Inflation (November, 19:00hrs NYT)**

We expect inflation to rebound to 0.10% (MoM) in November after the deflation surprise of October (-0.26% MoM). A recovery in food prices and a further consolidation of economic growth should help annual inflation return within the central bank's target range (2.0% to 4.0%). We expect annual inflation to reach 2.08% in November and continue rising as the economy accelerates, reaching 2.30% by year-end.

**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	2 Dic	Nov	0.63%	--	0.68%	0.67%
PMI Manufacturing	2 Dic	Nov	--	--	49.7	50.2
Trade Balance Monthly	2 Dic	Nov	\$400M	\$800M	\$1740M	-\$224M
Vehicle Sales Fenabrave	2 Dic	Nov	--	--	302950	330196
GDP QoQ	3 Dic	3Q	-0.30%	-0.10%	-0.50%	1.50%
FIPE CPI - Monthly	4 Dic	Nov	0.51%	--	0.46%	0.48%
Industrial Production MoM	4 Dic	Oct	0.10%	0.10%	0.60%	0.70%
PMI Services	4 Dic	Nov	--	--	52.3	52.1
Commodity Price Index MoM	4 Dic	Nov	--	--	2.73%	-2.67%
COPOM Monetary Policy Meeting Minutes	5 Dic	--	--	--	--	--
Vehicle Sales Anfavea	5 Dic	Nov	--	--	--	330203
FGV Inflation IGP-DI MoM	6 Dic	Nov	0.29%	--	--	0.63%
IBGE Inflation IPCA MoM	6 Dic	Nov	0.58%	0.63%	--	0.57%
<b>Chile</b>						
Central Bank Meeting Minutes	4 Dic	--	--	--	--	--
Economic Activity YoY	5 Dic	Oct	4%	4.50%	--	3.90%
Economic Activity MoM	5 Dic	Oct	0.30%	1%	--	-0.80%
Vehicle Sales Total	5 Dic	Nov	--	--	--	31380
CPI YoY	6 Dic	Nov	2.10%	2.20%	--	1.50%
CPI MoM	6 Dic	Nov	0.10%	0.20%	--	0.10%
<b>Colombia</b>						
PPI MoM	4 Dic	Nov	--	--	-0.26%	-0.78%
CPI MoM	5 Dic	Nov	0.07%	0.10%	--	-0.26%
Exports FOB	6 Dic	Oct	\$4950	--	--	\$4850,7
CPI Core MoM	6 Dic	Nov	--	0.10%	--	0.03%
<b>Mexico</b>						
Remittances Total	2 Dic	Oct	1837,8M	1825M	1853,1M	1795.7M
IMEF Manufacturing Index SA	2 Dic	Nov	--	49.9	50.13	49.3
Consumer Confidence Index	4 Dic	Nov	92	93.7	88.7	91.2
Leading Indicators (MoM)	5 Dic	Oct	--	--	--	0.07
Gross Fixed Investment	6 Dic	Sep	-6.10%	-3.40%	--	-5.40%
Overnight Rate	6 Dic	--	3.50%	3.50%	--	3.50%

## Most recent Latam reports

Date	Description
3-12-2013	<a href="#">➤ Chile Automobile Market Outlook 2013 (in Spanish)</a>
3-12-2013	<a href="#">➤ Working Paper: Financing retirement with real estate assets: an analysis of Mexico</a>
3-12-2013	<a href="#">➤ Working Paper: Demand factors influencing Financial Inclusion in Mexico: Barriers analysis from the ENIF (in Spanish)</a>
3-12-2013	<a href="#">➤ Brazil Flash: GDP contraction in 3Q13</a>
3-12-2013	<a href="#">➤ Mexico Migration Flash: Remittances to Mexico increase for the third month in a row</a>
3-12-2013	<a href="#">➤ Chile Flash: Monetary Policy Report (in Spanish)</a>
3-12-2013	<a href="#">➤ Peru Automobile Market Outlook 2013 (in Spanish)</a>
3-12-2013	<a href="#">➤ Mexico Economic Watch: Oil production sharing: a forecast of additional public revenues through 2018</a>
2-12-2013	<a href="#">➤ Peru Flash: Annual inflation remained at the upper limit in November</a>
29-11-2013	<a href="#">➤ Chile Flash: Activity data by sector anticipates Imacec at 4.5% YoY in October and a stable policy rate in December</a>

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