

Latam Daily Flash

12 December 2013 Economic Analysis

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In Chile the communiqué could reveal an intention to make future cuts, although they would be very data-dependent, and in Peru the decision would be in line with an expected rebound in economic activity in Q4. In Mexico we forecast industrial production for October, that will be published today, to remain weak.

Chile - Traders expects the policy rate to remain on hold at 4.5% in December

As we anticipated, traders expect the policy rate to remain on hold at 4.5% in today's monetary policy meeting and forecast a 25bp cut to 4.25% on a 3-month horizon. On a 6-month view they anticipate a further 25bp cut in the policy rate to 4%. In terms of prices, traders forecast December inflation at +0.3% MoM (in line with our view), and expect further depreciation of the USD exchange-rate towards CLP535 on a 3-month horizon.

Colombia - Good performance in civil works anticipates higher 3Q13 GDP growth

Civil works grew 18% YoY in the third quarter. This implies a strong positive bias in our estimate of GDP growth for this period. However, the significant downward revision of civil works for the first two quarters of 2013 leaves unchanged our GDP growth outlook of 4.1% for the whole year (see our [Colombia Flash](#) for more details).

Mexico - Energy sector reform was approved by the House of Representatives

After being [approved by the Senate](#) yesterday, the energy sector reform was ratified by the House of Representatives. The reform appears to be an efficient mechanism for attracting large amounts of investment to the country, in turn increasing the potential growth rate (see our [Energy Reform Flash](#) for details).

What to watch today

Brazil - Retail sales (October, 06:00hrs NYT)

We expect October retail sales to grow by around 0.3% MoM and to reinforce our view that economic activity will expand somewhat in 4Q13 after having dropped 0.5% QoQ in 3Q13.

Mexico - Industrial production (October, 09:00hrs NYT)

Despite the recent uptick in manufacturing output in the US, the weakness of the construction sector and the slowdown in the mining sector leads us to forecast that industrial output in Mexico for October will remain weak. Nonetheless, the positive US job creation figures for November in the manufacturing sector (27,000) point to the sector continuing to enjoy the improvement that started in August. This means we could also expect to see an uptick in manufacturing output in Mexico in the last months of the year, which would have a positive knock-on effect for industrial output in the last two months.

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

After cutting the policy rate by 50bp in the last two months, we expect the Board to keep rates at 4.5%, although the communiqué should reveal the central bank's intention to make further rate cuts (of at least 50bp) in coming quarters. Finally, we believe that new moves on the monetary policy rate will remain data-dependant.

Peru - Monetary policy meeting (December, 19:30hrs NYT)

We expect the Central Bank to keep its reference rate on hold for December. This decision would be in line with an expected rebound in economic activity in Q4 and a cautious stance in advance of the beginning of tapering of QE3 by the Fed.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	9 Dec	Dec	0.73%	--	0.72%	0.68%
IGP-M Inflation 1st Preview	10 Dec	Dec	0.38%	--	0.32%	0.30%
FIPE CPI - Weekly	11 Dec	Dec	0.47%	--	0.45%	0.52%
Retail Sales MoM	12 Dec	Oct	0.50%	0.30%	--	0.50%
Economic Activity MoM	13 Dec	Oct	0.50%	0.20%	--	-0.01%
Tax Collections	15 Dec	Nov	--	--	--	100999M
Chile						
Trade Balance	9 Dec	Nov	\$200M	\$189M	\$202M	\$241.0M
Copper Exports	9 Dec	Nov	--	\$3610M	\$3327M	\$3893M
Central Bank's Economist Survey	10 Dec	Dec	--	--	--	--
Central Bank's Traders Survey	11 Dec	Dec	--	--	--	--
Overnight Rate Target	12 Dec	Dec	4.50%	4.50%	--	4.50%
Colombia						
Consumer Confidence Index	12 Dec	Nov	--	25	--	22.3
Central Bank's Economists Survey	12 Dec	--	--	--	--	--
Colombia Monetary Policy Minutes	13 Dec	--	--	--	--	--
Mexico						
CPI MoM	9 Dec	Nov	0.92%	0.90%	0.93%	0.48%
Vehicle Production AMIA	9 Dec	Nov	--	--	255695	285230
Industrial Production MoM	12 Dec	Oct	0.34%	0%	--	-1.2%
Peru						
Trade Balance	10 Dec	Oct	-\$254M	--	-\$303M	\$32M
Reference Rate	13 Dec	Dec	4.00%	4.00%	--	4.00%

Most recent Latam reports

Date	Description
11-12-2013	➤ Mexico Energy Reform Flash: Far-reaching reform of the sector which could prompt large investments and increase potential growth
11-12-2013	➤ Colombia Flash: Civil works: from euphoria to reality
11-12-2013	➤ Mexico Migration Outlook December 2013 (in Spanish)
11-12-2013	➤ Argentina Automobile Market Outlook 2013 (in Spanish)
10-12-2013	➤ Colombia Flash: Fitch Ratings upgrades Colombia's rating to BBB
10-12-2013	➤ Chile Flash: The central bank economic expectation survey anticipates a pause in policy rate during December
10-12-2013	➤ Working Paper: Demand factors that influence financial inclusion in Mexico: analysis of the barriers based on the ENIF survey
9-12-2013	➤ Mexico Inflation Flash: November's inflation
9-12-2013	➤ Mexico Energy Reform Flash: Deep reform that could attract significant investment and increase potential growth (in Spanish)
6-12-2013	➤ Banxico Flash: Fondo rate unchanged at 3.5%, as expected

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