

Latam Daily Flash

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Economic Analysis

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In Chile, Michelle Bachelet was elected president for the next four years in the second-round election. Today we expect data on Peruvian October's GDP which should reflect an improved performance of primary industries and construction.

Brazil - Economic activity grew 0.8% MoM in October, more than expected

The IBC-Br, the BCB's activity indicator that works as a monthly proxy for GDP, rose 0.8% MoM in October. This expansion, the largest since April, topped forecasts (BBVAe: 0.2% MoM; consensus: 0.5% MoM). Robust growth in October paves the way for positive GDP growth in 4Q13: if the economy remains stable (i.e. 0.0% MoM) during both November and December, the IBC-Br will have expanded 0.8% QoQ in the quarter. We have added an upward bias to our 0.4% QoQ forecast for 4Q13, although this does not prevent us from revising 2013 growth downwards from 2.6% as a consequence of the revision of the GDP series and the greater than expected contraction in 3Q13 GDP.

Chile - With 62% of the vote, Michelle Bachelet is elected president for the next four years

Michelle Bachelet won the second round of the elections with 62% of the vote and will be the next President of Chile from March 2014 to March 2017. Bachelet has promised to introduce a tax reform to pay for an overhaul of the nation's education system and reduce economic inequality. Bachelet plans to increase the tax burden by 3% of GDP through an increase in the corporate tax rate (from 20% to 25%) and a change in the way tax is calculated from a cash to an accrual basis, which will mainly affect company owners and shareholders. More details will be announced during the first 100 days after Bachelet takes office.

Colombia - BanRep's November meeting minutes highlight temporary nature of October's deflation

Board members remain optimistic about the economic recovery during the second half of the year and the temporary nature of the deflation in October (-0.26% MoM, 1.86% YoY). Abundant harvests and low transportation costs explain the food price deflation observed (-1.0% MoM). In addition, low fuel costs help explain the fall in regulated prices. The minutes highlight once again that real interest rates remain expansionary and at historically low levels. However, if inflation expectations consolidate below the target range and GDP growth surprises to the downside, a further expansionary monetary stance could be considered. Finally, some concern was expressed regarding the possibility of potential GDP being underestimated and the impact of this on interest rates.

Colombia - A stable consumer confidence index points to a good performance of private consumption

In November, consumer confidence stood at 23.1 (in a range between -100 and 100), very close to October's figure (22.3). The willingness to buy durable goods remained high, at levels that support a new expansionary cycle of appliances and cars. Finally, there was a sharp fall in the fear of unemployment, which boosts spending decisions. The data is in line with our outlook for 4Q13, with consumption the main driver of GDP growth.

What to watch today

Colombia - Imports and trade balance (October, 16:00hrs NYT)

We expect 2.7% YoY growth in imports, boosted by capital and durable goods consumption. In particular, the manufacturing sector may have increased its external purchases in line with some signals of recovery. However, the trade balance would remain in deficit (at -USD264.1mn) due to lower mining exports and strong imports.

Peru - GDP (October, 12:00hrs NYT)

We estimate GDP growth of 5.3% YoY in October, faster than in 3Q13. This would reflect the improved performance of primary industries and construction.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-10 MoM	16 Dec	Dec	0.46%	--	--	0.44%
FGV CPI IPC-S	16 Dec	Dec	0.72%	--	--	0.72%
Tax Collections	16 Dec	Nov	110900M	--	--	100999M
Formal Job Creation Total	16 Dec	Nov	54000	--	--	94893
CNI Industrial Confidence	17 Dec	Dec	--	--	--	54.5
FIPE CPI - Weekly	18 Dec	Dec	0.47%	--	--	0.45%
IGP-M Inflation 2nd Preview	18 Dec	Dec	0.48%	--	--	0.30%
Unemployment Rate	19 Dec	Nov	4.90%	5.00%	--	5.20%
IBGE Inflation IPCA-15 MoM	19 Dec	Dec	0.65%	0.68%	--	0.57%
Current Account Balance	19 Dec	Nov	-\$4800M	--	--	-\$7132M
FGV Consumer Confidence	20 Dec	Dec	--	--	--	112.8
Total Outstanding Loans	20 Dec	Nov	--	--	--	2610B
Quarterly Inflation Report	20 Dec	--	--	--	--	--
Colombia						
Vehicle Sales	16 Dec	Nov	--	--	--	27659
GDP QoQ	19 Dec	3Q	0.40%	0.40%	--	2.20%
GDP YoY	19 Dec	3Q	4.30%	4.60%	--	4.20%
Retail Sales YoY	19 Dec	Oct	4.20%	4.00%	--	2.30%
Industrial Production YoY	19 Dec	Oct	0.35%	3.90%	--	-1.80%
Overnight Lending Rate	20 Dec	--	3.25%	3.25%	--	3.25%
Mexico						
ANTAD Same-Store Sales YoY	16 Dec	Nov	1.10%	--	--	-2.10%
Aggregate Supply and Demand	18 Dec	3Q	1.90%	1.90%	--	1.80%
Retail Sales YoY	19 Dec	Oct	-1.70%	-1.90%	--	-4.00%
Central Bank Economist Survey	19 Dec	--	--	--	--	--
Unemployment Rate	20 Dec	Nov	4.95%	4.93%	--	5.01%
Central Bank Monetary Policy Minutes	20 Dec	--	--	--	--	--
Peru						
Economic Activity YoY	16 Dec	Oct	5.20%	5.30%	4.37%	4.40%
Quarterly Inflation Report	20 Dec	--	--	--	--	--

Most recent Latam reports

Date	Description
12-12-2013	➤ Chile Flash: Central Bank of Chile kept rates at 4.5%, broadly in line with our and market expectations
12-12-2013	➤ Peru Flash: Monetary policy rate unchanged in December
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

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