

Latam Daily Flash

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Economic Analysis

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In Brazil BCB confirmed the extension of its FX intervention programme until at least June 14. Today we expect December inflation in Brazil to be slightly higher than the previous reading, consistent with inflation at 5.7% YoY at the end of the year. We expect a good performance from Colombian GDP in 3Q13e but not enough to compensate for the negative effect due to the correction in 1H13.

Mexico - The GDP breakdown shows an export-led recovery and continued weakness in investment

Aggregate demand came in at 1.5% YoY in 3Q13, a touch lower than our below-consensus forecast (BBVAe: 1.9%; consensus: 2.0%). The GDP breakdown continues to show internal demand weakness offset by a recovery in external demand, with the main driver being a 2.3% increase in private consumption offset by a 3.9% YoY contraction in investment. Meanwhile, public consumption recovered somewhat (1.8% YoY), while export growth was increasingly dynamic (5.6% YoY).

Brazil - BCB extends, with adjustments, the FX intervention programme until June 2014

Just few hours after the Fed announced the beginning of the tapering process, the BCB confirmed the extension of its FX intervention programme until at least June 30, 2014. The programme adopted at the end of August was initially designed to be in force until the end of this year. Starting on January 2, the BCB will offer USD200mn worth of currency swaps per day (compared to USD500mn from Monday to Thursday currently). In addition, the BCB announced that dollar repos will be offered according to exchange markets' liquidity conditions (vs. the commitment to offer as much as USD1bn every Friday currently). Finally, the monetary authority affirmed that additional intervention could be announced, if needed. In our view, by extending the programme the BCB will not only aim at providing hedge and liquidity in USD dollars, but also at maintaining inflation under control at the beginning of the next year, a period when it will probably bring the present monetary tightening cycle to an end.

Brazil - Slight improvement in the current account

The current account deficit came in at USD5.1bn in November (vs. USD7.1bn in October). In yearly terms the deficit reached 3.66% of GDP (USD81.bn), slightly lower than in October (3.71% and USD82.2bn, respectively). The slight improvement was due to a higher trade surplus (USD1.7bn in November). Both service and income accounts continued to record very significant deficits (both at USD3.5bn in November) in spite of the material depreciation of the Brazilian real in the last few months. We expect the slight improvement to continue in December and the current account deficit to close the year at 3.6% of GDP (or USD79.0bn). We also see some room for the current account to continue to improve next year. More specifically, we forecast that the deficit will close 2014e at 3.2%, but the resilience of the income and services deficits and the weakness of the trade surplus add an upward bias to this figure.

What to watch today

Brazil - IPCA-15 (December, 06:00hrs NYT)

We expect December's IPCA-15, which measures inflation from mid-November to mid-December, to reach 0.68% MoM, higher than the previous reading (0.57% MoM). In spite of this monthly increase, yearly inflation should remain practically stable at around 5.78% YoY. In our view, these figures are consistent with inflation at 5.7% YoY at the end of the year (according to the full-month IPCA).

Brazil - Unemployment rate (November, 06:00hrs NYT)

The unemployment rate should come in at around 5.0%, slightly lower than in October (5.2%). The decline would be fully explained by seasonal factors. If we strip them out, we would then expect unemployment to have increased slightly to 5.4%. All in all, the data should support the view that the labour market is gradually losing steam.

Brazil - Credit report (November, 07:30hrs NYT)

We expect lending rates to continue to grow and volumes to continue to provide limited support to economic activity. We will also be looking closely at the growth in credit from public banks, to see whether the recent contraction (which we see as positive) persists or not.

Mexico - Retail sales (October, 09:00hrs NYT)

Retail sales ended the third quarter on a weak note, declining 0.4% MoM sa in September, or -3.8% YoY sa. We forecast consumption to have started the fourth quarter on a better note, based on the ANTAD sales indicator which saw a slight recovery in October, hitting a monthly growth rate of 0.8 sa and improving slightly in annual terms from -3.1% YoY sa in September to -2.1% YoY sa. In addition, job-creation also improved at the start of the fourth quarter, with 143k new jobs added in October. We thus expect retail sales to improve in October and hit a monthly growth rate of 0.6% sa, which would reduce its decline in annual terms to -1.7%.

Colombia - GDP (3Q13, 11:00hrs NYT)

We expect 4.6% YoY growth in 3Q13e. However, a good performance in civil works between July and September implies an upward bias to our outlook. Meanwhile, a downward revision of 1H13 GDP is possible due to a correction in public investment during that period. All in all, we maintain our outlook for GDP YtD at 4.1%.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-10 MoM	16 Dec	Dec	0.46%	--	0.44%	0.44%
FGV CPI IPC-S	16 Dec	Dec	0.72%	--	0.75%	0.72%
Tax Collections	16 Dec	Nov	110900M	--	112517M	100999M
Formal Job Creation Total	20 Dec	Nov	54000	--	--	94893
CNI Industrial Confidence	18 Dec	Dec	--	--	54.3	54.5
FIPE CPI - Weekly	18 Dec	Dec	0.47%	--	0.50%	0.45%
IGP-M Inflation 2nd Preview	18 Dec	Dec	0.48%	--	0.54%	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	18 Dec	Nov	-\$4800M	--	-\$5145	-\$7132M
FGV Consumer Confidence	20 Dec	Dec	--	--	--	112.8
Total Outstanding Loans	19 Dec	Nov	--	--	--	2610B
Quarterly Inflation Report	20 Dec	--	--	--	--	--
Colombia						
Vehicle Sales	19 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%	--	3.40%	-2.10%
Aggregate Supply and Demand	18 Dec	3Q	1.90%	1.90%	1.50%	1.80%
Retail Sales YoY	19 Dec	Oct	-1.70%	-1.70%	--	-3.80%
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%	5.42%	4.40%
Quarterly Inflation Report	20 Dec	--	--	--	--	--

Most recent Latam reports

Date	Description
17-12-2013	➤ Colombia Real Estate Outlook 2013
16-12-2013	➤ Peru Flash: GDP rebounded in October
16-12-2013	➤ Chile Flash: December CPI is expected to be within 0.3 and 0.5% (in Spanish)
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

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