

Latam Daily Flash

10 September 2013 Economic Analysis

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Trade deficit figures were published for Chile and Peru (for August and July respectively). Today eyes will be on Chile's Central Bank Economic Expectations Survey which could anticipate cuts in the policy rate before the end of 2013.

Mexico - Surprises in the proposed fiscal reform

President Peña Nieto submitted a fiscal reform bill to Congress which eliminates income tax loopholes, proposes a more efficient tax structure that eliminates the fiscal consolidation regime that allows firms to consolidate profits and evade taxes and eliminates the minimum flat-rate corporate tax. The proposed reform would lift VAT on food and medicines but eliminates VAT exemptions such as housing sales and rent, public transport and mortgage payments and raises the VAT rate from 11% to 16%. It also increases the top marginal income tax rate to 32%, and surprisingly in our view, considers an increase in the public deficit (to 1.5% of GDP in 2014).

Mexico - Inflation in August came in broadly in line with expectations

Headline inflation came in at 0.28% in August (BBVAe: 0.30%, consensus: 0.33%), remaining practically unchanged in annual terms at 3.46%. Core inflation came in at 0.09% in August (BBVAe: 0.08%, consensus: 0.11%), declining in annual terms to 2.37% from 2.50% in July, a fresh all-time low. All in all, as we anticipated, August's data confirm that there are no signs of demand-side inflation pressures in a context of ample economic slack.

Chile - Trade deficit of USD525mn in August

The balance of trade registered a deficit of USD525mn in August, slightly lower than our estimated deficit of USD400mn. The figure was driven by exports that amounted to USD6.4bn (+10.7% YoY, BBVAe: USD6.8bn) while imports reached USD6.9bn (+1.2% YoY, BBVAe: USD7.2bn). Copper exports were below our expectations and reached USD3.4bn (+18.7% YoY, BBVAe: USD3.7bn). In this context, trade figures are still putting pressure on the 2013 current account balance despite the recovery in copper exports seen in August.

Peru - Trade balance continued trending downwards but we expect the pace to moderate in the coming months

The trade balance continued to contract in July and recorded an annualised surplus of 0.2% of GDP (0.4% in June). The fall was mainly due to the 13.1% YoY drop in exports during the month. In the coming months, we expect this declining trend to attenuate due to a partial recovery in exports, in line with better results from mineral production, which should partially compensate for the effect of lower commodity prices.

What to watch today

Chile - Central Bank Economic Expectations Survey (September, 07:30hrs NYT)

We expect the survey to show forecasts for no changes in the monetary policy rate at Thursday's meeting, in line with our view. Nonetheless, we anticipate cuts in the policy rate before the end of this year, something that could be confirmed by consensus today. Additionally, we think the results will point to an increase of around 4.0% YoY for the economic activity index (Imacec) in August and monthly inflation around +0.6% MoM for September.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	09 Sep	2-sep	--	--	0.25%	0.20%
CNI Capacity Utilization (SA)	09 Sep	Jul	--	--	82.20%	82.20%
IGP-M Inflation 1st Preview	10 Sep	Sep	--	--	0.13%	0.13%
FIPE CPI - Weekly	11 Sep	2-Sep	0.28%	--	--	0.23%
Retail Sales MoM	12 Sep	Jul	0.30%	0.5%	--	0.50%
Economic Activity MoM	13 Sep	Jul	-0.65%	-0.5%	--	1.13%
Chile						
Trade Balance	09 Sep	Aug	-\$725.0	-\$400	-\$525	-\$254.0
Central Bank's Economist Survey	10 Sep	--	--	--	--	--
Central Bank's Traders Survey	11 Sep	--	--	--	--	--
Overnight Rate Target	12 Sep	2-Sep	5.00%	5.00%	--	5.00%
Colombia						
Consumer Confidence Index	10-16 Sep	Aug	23	15	--	25.1
Colombia Monetary Policy Minutes	13 Sep	--	--	--	--	--
Mexico						
CPI Core MoM	09 Sep	Aug	0.34%	--	0.28%	-0.03%
Vehicle Production AMIA	09 Sep	Aug	0.12%	--	0.09%	0.03%
Industrial Production YoY	09-17 Sep	Aug	--	--	259106	234757
Industrial Production MoM	11 Sep	Jul	-1.10%	--	--	-2.40%
ANTAD Same-Store Sales YoY	11 Sep	Jul	0.40%	--	--	0.00%
CPI Core MoM	12 Sep	Aug	-1.10%	--	--	-2.30%
Peru						
Trade Balance	10 Sep	Jul	--	-	--	-\$78M
Reference Rate	12-Sep	Sep	4.25%	4.25%	--	4.25%

Most recent Latam reports

Date	Description
06-09-2013	➤ Banxico Flash: As BBVA Bancomer called it, Banxico cuts the monetary interest rate. If the economic weakness continues, another cut cannot be dismissed
06-09-2013	➤ Brazil Flash: Inflation continues to ease
06-09-2013	➤ Flash Chile: CPI inflation increased 0.2% MoM in August
06-09-2013	➤ Flash Colombia: Consumer inflation stood at 2.27% YoY with a limited transmission of agricultural sector protests
05-09-2013	➤ Flash Brazil: COPOM minutes suggest that the monetary tightening will continue at an unchanged pace, at least in the short term
05-09-2013	➤ Flash Chile: Economic activity increased 5,3% YoY in July, below expectations
04-09-2013	➤ Mexico Banking Outlook
04-09-2013	➤ Flash Chile: Monetary Policy Report kept the baseline scenario with the MPR reaching 4.5% during the next months
02-09-2013	➤ Flash Peru: August inflation surprised to the upside
02-09-2013	➤ Mexico Migration Flash: After 13 months, remittances to Mexico still not recovered

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