

Latam Daily Flash

2 October 2013 Economic Analysis

Madrid
Juan Ruiz
Chief Economist, South America
juan.ruiz@bbva.com
+34 913745887

Enestor dos Santos
Principal Economist, Latam
enestor.dossantos@bbva.com
+34 639827211

Cecilia Posadas
Economist, Latam
c.posadas@bbva.com
+34 913746279

With contributions from the BBVA
Research Latam Team:

Lima
Hugo Perea
Chief Economist, Peru
hugo.perea@bbva.com
+51 1 2112042

Bogota
Juana Tellez
Chief Economist, Colombia
juana.tellez@bbva.com
+571 3471600

Santiago
Jorge Selaive
Chief Economist, Chile
jselaive@bbva.com
+56 2 2939 10 92

Mexico City
Carlos Serrano
Chief Economist, Mexico
carlos.serranoh@bbva.com
+5255 5621 4354

Javier Amador
Principal Economist, Mexico
javier.amadord@bbva.com
+5255 5621 3095

September inflation in Peru surprised to the downside, and this together with less dynamic domestic demand, gives the central bank room to further relax its monetary policy rate. In Mexico, the IMEF manufacturing index pointed to continued weakness in the manufacturing sector. Today eyes will be on industrial production in Brazil and on monetary policy minutes in Chile.

Mexico - Manufacturing confidence remains low but an improved global outlook anticipates an improvement

The IMEF Manufacturing index increased slightly in August but remained below the 50 threshold for the fourth consecutive month. The index reached 49.3 points and there is still no sign of a clear change in trend, pointing to continuing weakness in the manufacturing sector. However, global manufacturing confidence improved in September, particularly in the US where the ISM index rose to 56.2 points from a revised previous reading of 55.7 points. Thus, we expect a more noticeable improvement in Mexico in September.

Peru - September inflation surprised to the downside

Consumer prices rose 0.1% MoM in September, below market expectations (BBVAe: 0.4%, consensus: 0.3%). This result reflected the stability of the average cost of food, while there were moderate increases in the prices of energy, textiles and healthcare. As a result, annual inflation fell to 2.8% (3.3% in September), lying temporarily within the target range (2% +/- 1pp). In a context of less dynamic domestic demand, in the short term this gives room for the central bank to further relax monetary policy (see our [Peru Flash](#) for details).

What to watch today

Chile - Monetary policy minutes (September, 7:30hrs NYT)

We expect the minutes to reveal the Board's concern about changes in global liquidity conditions related to the Fed's tapering. In our view, this was probably the main reason for the maintenance of the monetary policy rate at 5% during September. Domestically, activity is decelerating, but consumption of finished goods remains strong. In this context, we expect the minutes to reveal the Board's debate about policy options, between maintenance of the MPR and a preventative cut, in a scenario where headline inflation is still within the tolerance range. At the October meeting we expect another pause as a reflection of positive surprises in retail sales and rising inflation.

Brazil - Industrial production (August, 08:00hrs NYT)

Industrial output is expected to rebound slightly after declining 2.0% MoM in July. The figures released today will help analysts to shape their 3Q13 GDP forecasts. Our current assessment of recent indicators is that quarterly growth (QoQ%) will be close to zero in 3Q13e.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Central Bank Publishes Quarterly Inflation Report	30 Sep	--	--	--	--	--
Primary Budget Balance	30 Sep	Aug	1.6B	--	-0.4B	2.3B
FGV CPI IPC-S	01 Oct	2-Sep	0.31%	--	0.30%	0.27%
PMI Manufacturing	01 Oct	Sep	--	--	49.9	49.4
Trade Balance Monthly	01 Oct	Sep	\$2000M	--	\$2147M	\$1226M
FIPE CPI - Monthly	02 Oct	Sep	0.25%	--	--	0.22%
Industrial Production MoM	02 Oct	Aug	0.20%	0.40%	--	-2.00%
Commodity Price Index MoM	02 Oct	Sep	--	--	--	3.77%
PMI Services	03 Oct	Sep	--	--	--	49.7
Vehicle Sales Anfavea	04 Oct	Sep	--	--	--	329143
Chile						
Retail Sales YoY	30 Sep	Aug	8.50%	9.40%	12%	10.30%
Copper Production Total	30 Sep	Aug	--	485775	492883	480440
Unemployment Rate	30 Sep	Aug	5.80%	6.00%	5.70%	5.70%
Central Bank Meeting Minutes	02 Oct	--	--	--	--	--
Colombia						
Urban Unemployment Rate	30 Sep	Aug	10.00%	9.8%	10.30%	10.00%
PPI MoM	04 Oct	Sep	0.30%	--	--	0.00%
Mexico						
Budget Balance YTD	30 Sep	Aug	--	--	-113.9B	-123.70B
IMEF Manufacturing Index NSA	01 Oct	Sep	50	--	49.2	49.2
Consumer Confidence Index	03 Oct	Sep	96.4	--	--	97.4
Peru						
CPI MoM	01 Oct	Sep	0.30%	--	0.11%	0.54%
Wholesale Price Index MoM	01 Oct	Sep	--	--	0.52%	0.85%

Most recent Latam reports

Date	Description
01-10-2013	➤ Mexico Migration Flash: In august remittances to Mexico break negative streak
30-09-2013	➤ Mexico Banking Flash
30-09-2013	➤ Flash Chile: Retail sales expanded 12% YoY and we forecast Imacec around 3.8% in August
30-09-2013	➤ Flash Brazil: Lower inflation in 2013, in spite of a weaker currency
30-09-2013	➤ Flash Mexico: CESF assess the impact of the volatility of capital flows (In Spanish)
27-09-2013	➤ Flash Colombia: BanRep kept by unanimity its policy rate at 3.25% and eases USD intervention program
26-09-2013	➤ Mexico Flash: Recent Flood's economic effects (In Spanish)
25-09-2013	➤ Mexico Economic Outlook 3Q13
24-09-2013	➤ Chile Flash: CPI for September and October are moderated, but leave the door open for November and December
24-09-2013	➤ September's biweekly inflation: core inflation surprised us on the upside

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