

Latam Daily Flash

9 October 2013 Economic Analysis

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Based on Chilean inflation and activity figures, we do not expect changes in the monetary policy rate at October's meeting, but we think there is high probability that this will materialise in November. The same view should be confirmed today when the Central Bank's Financial Traders Survey is released.

Chile -September CPI at 0.5% MoM was in line BBVA's forecast

As we forecast, the print was impacted by increases in transportation fares, automobile and food prices, leading to a rise of 2.0% YoY. In this context, core inflation measures showed increases of 0.6% MoM but in YoY terms remained subdued at around 2.0%. All in all, in the light of the recently released activity and price data, we do not expect any changes in the monetary policy rate at October's meeting. Nonetheless the Board will once again discuss the possibility of an interest rate cut of 25bp, and in our view there is a high probability that this will materialise in November (see our [Chile Flash](#) for details).

Colombia - Government releases list of tax havens

The Ministry of Finance published a decree containing a list of 44 countries considered to be tax havens. The list is relevant for setting taxes on offshore portfolio flows, as approved by the 2012 tax reform which established a 25% tax rate on tax havens and 14% on non-tax havens. The decree states that the government will establish information-sharing agreements with another seven countries, and that those countries (which include Panama, Bermuda and Barbados) are thus not on the list as tax havens. The government stated that it would review the list annually. The decree is available in Spanish [here](#).

What to watch today

Brazil - Monetary policy meeting (unspecified announcement time)

In line with the markets, we expect the Selic rate to be adjusted upwards by 50bp to 9.50%. In our view, the short statement accompanying the announcement will probably remain unchanged ("...this decision will contribute to set inflation into decline and ensure that this trend persists in the upcoming year"). Additional relevant information on future monetary actions is only likely to be provided by the minutes of the monetary policy meeting next week.

Chile - Central Bank Financial Traders Survey (1st half October, 07:30hrs NYT)

We expect the survey to show inflation estimates at around 0.0% MoM for October and expectations of a stable monetary policy rate at next week's meeting. We also anticipate an exchange-rate forecast in the order of USDCLP 510 on a three-month horizon.

Brazil - Inflation: IPCA (September, 08:00hrs NYT)

We expect yearly inflation to continue to trend down in September and decline to 5.86% YoY in September, below the 6.0% YoY mark for the first time this year (6.09% in August and 6.70% in June). The room for significant moderation in inflation in the fourth quarter is limited and we expect it to close the year at 5.7%.

Mexico – Inflation (September, 09:00hrs NYT)

We expect inflation data for September to confirm that there are no signs of demand-side inflation pressures in a context of ample economic slack. We expect a 0.43% MoM rise in headline inflation and a 0.30% MoM increase in core inflation. In annual terms, headline inflation should remain around 3.5% while core inflation should see a slight increase to 2.5% (from the 2.4% all-time low in August). The figures will be useful for assessing to what extent the recent floods in several states throughout the country could prompt a supply shock i.e., a temporary change in relative prices.

Colombia – Exports (August, 17:00 hrs NYT)

We expect a drop of 11.3% YoY in total exports, due to some restrictions on transport and mining production by social protests. Our outlook is a recovery in mining exports, as labour conditions returned to normal in early September, in line with stronger expected growth in 4Q13.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-DI MoM	08 Oct	Sep	1.50%	--	1.36%	0.46%
FGV CPI IPC-S	08 Oct	2-Oct	0.30%	--	0.38%	0.30%
CNI Capacity Utilization (SA)	09 Oct	Aug	82.30%	--	--	82.20%
FIPE CPI - Weekly	09 Oct	2-Oct	0.29%	--	--	0.20%
IBGE Inflation IPCA MoM	09 Oct	Sep	0.35%	0.35%	--	0.24%
Selic Rate	09 Oct	2-oct	9.50%	9.50%	--	9.00%
IGP-M Inflation 1st Preview	10 Oct	Oct	0.87%	--	--	1.02%
Chile						
Economic Activity YoY	07 Oct	Aug	3.80%	3.80%	4.10%	5.30%
CPI MoM	08 Oct	Sep	0.50%	0.50%	0.50%	0.20%
Central Bank's Traders Survey	09 Oct	--	--	--	--	--
Trade Balance	09 Oct	Sep	-\$100.0	\$150	--	-\$525.0
Central Bank's Economist Survey	10 Oct	--	--	--	--	--
Colombia						
Exports FOB	09 Oct	Aug	\$4578.65	\$4054	--	\$4650.0
Consumer Confidence Index	10 Oct	Sep	--	18	--	13.4
Colombia Monetary Policy Minutes	11 Oct	--	--	--	--	--
Mexico						
Vehicle Production AMIA	07 Oct	Sep	--	--	241740	259106
Gross Fixed Investment	08 Oct	Jul	-2.00%	--	-0.40%	-3.10%
CPI MoM	09 Oct	Sep	0.44%	--	--	0.28%
Industrial Production MoM	11 Oct	Aug	0.10%	--	--	-0.10%
Peru						
Trade Balance	10 Oct	Aug	-\$118M	--	--	-\$486M
Reference Rate	11 Oct	Oct	4.25%	4.25%	--	4.25%

Most recent Latam reports

Date	Description
08-10-2013	➤ Chile Flash: CPI in September at 0.5% in line BBVA's forecast
07-10-2013	➤ Colombia Flash: September CPI inflation stood unchanged at 2.27% YoY above market expectations which anticipated an annual drop
07-10-2013	➤ Chile Flash: Monthly activity expanded 4,1% YoY in August
03-10-2013	➤ Mexico Real Estate Outlook
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

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