

Latam Daily Flash

21 November 2013 Economic Analysis

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Although consumer spending in Mexico remained weak at the end of the third quarter, today's release of GDP growth figures is likely to signal an economic recovery led by the manufacturing sector. Meanwhile, in Colombia industrial production fell in September but has probably already bottomed-out.

Colombia - Manufacturing sector fell, but has bottomed-out. Retail sales showed a temporary slowdown

In September, industrial production fell 1.8% YoY, above the August figure (-3.9% YoY), but below our expectations (-0.3% YoY). The greatest negative contribution came from automotive sector (-23.3% YoY), which had low demand and high inventories in the month. By contrast, the food industry continues to show steady recovery. On the other hand, retail sales grew 2.3% YoY, reflecting a deceleration during the five previous months. These results imply a small downward bias to our GDP growth outlook for 3Q13e (4.6% YoY), but do not change the economic recovery trend since monthly changes remain positive.

Mexico - Consumer spending remains weak

Retail sales were weaker than expected in September, decreasing 0.4% MoM sa in September, equivalent to -4.0% YoY. This performance confirms that consumer spending remained weak at the end of the third quarter. The outlook for the start of the fourth quarter does not look any better, since ANTAD same-store sales decreased 1.0% MoM sa in October. Nonetheless, we still expect today's 3Q13 GDP release to confirm an economic recovery led by the manufacturing sector.

What to watch today

Mexico - GDP (3Q13, 09:00hrs NYT)

After the 0.74% quarterly drop in the second quarter of the year, the economic slowdown is expected to have reversed and a period of economic recovery to have started, leading to GDP growth of 0.7% QoQ. The upturn in industrial output in the third quarter, the strength of the services sector seen in the IGAE, increased consumer confidence and higher public expenditure are among the main elements supporting this growth. In addition, the last part of the year is expected to see growth in the US, as well as higher investment and public expenditure which should lead to growth of around 1.0% in the fourth quarter. For these reasons, we expect the growth rate for 2013e to come in around 1.2%.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	18 Nov	Nov	0.65%	--	0.64%	0.63%
Tax Collections	19 Nov	Oct	98200M	--	100999M	84212M
Formal Job Creation Total	21 Nov	Oct	97514	--	--	211068
FIPE CPI - Weekly	19 Nov	Nov	0.59%	--	0.55%	0.55%
IGP-M Inflation 2nd Preview	19 Nov	Nov	0.34%	--	0.30%	0.91%
IBGE Inflation IPCA-15 MoM	19 Nov	Nov	0.65%	0.60%	0.57%	0.48%
Unemployment Rate	21 Nov	Oct	5.30%	5.40%	--	5.40%
Current Account Balance	22 Nov	Oct	-\$6780M	-\$6000M	--	-\$2629M
Chile						
GDP QoQ	18 Nov	3Q	1.05%	1.00%	1.30%	0.50%
GDP YoY	18 Nov	3Q	4.40%	4.40%	4.70%	4.10%
Current Account Balance	18 Nov	3Q	-3500	-3500	-3440	-1631
Overnight Rate Target	19 Nov	Nov	4.50%	4.75%	4.50%	4.75%
Colombia						
Trade Balance	18 Nov	Sep	\$250	\$169	-\$65.5	\$241.5
Vehicle Sales	21 Nov	Oct	--	--	--	--
Retail Sales YoY	20 Nov	Sep	5.00%	4.90%	2.30%	6.90%
Industrial Production YoY	20 Nov	Sep	-1.00%	-0.30%	-1.80%	-3.90%
Mexico						
Retail Sales YoY	20 Nov	Sep	-2.50%	-1.20%	-4.00%	-2.20%
GDP SA QoQ	21 Nov	3Q	0.70%	0.70%	--	-0.70%
Economic Activity IGAE YoY	21 Nov	Sep	0.30%	1.10%	--	0.84%
Bi-Weekly CPI	22 Nov	Nov	0.74%	0.71%	--	0.14%
Peru						
GDP YoY	22 Nov	3Q	4.30%	3.70%	--	5.60%

Most recent Latam reports

Date	Description
20-11-2013	➤ Mexico Economic Outlook: Fourth Quarter 2013 (in Spanish)
20-11-2013	➤ Brazil Economic Outlook: Fourth Quarter 2013
20-11-2013	➤ Chile Economic Outlook: Fourth Quarter 2013
20-11-2013	➤ Paraguay Economic Outlook: Second Half 2013 (in Spanish)
20-11-2013	➤ Colombia Economic Watch: Natural interest rate 2000-2015 (in Spanish)
19-11-2013	➤ Chile Flash: Central Bank materialized another 25bp cut in the policy rate
18-11-2013	➤ Chile Economic Watch: A historic investment boom (in Spanish)
18-11-2013	➤ Chile Flash: GDP growth reached 4.7% YoY in 3Q13 driven by mining sector and affected by another sharp drop of inventories
15-11-2013	➤ Peru Flash: Deceleration of GDP bottomed out in September
14-11-2013	➤ Working paper: Determinants of financial inclusion in Peru (in Spanish)

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