

Latam Daily Flash

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Economic Analysis

Madrid

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Current account deterioration continues, and in yearly terms October's deficit was the largest since the beginning of 2002. We view this deficit with some concern as we watch a concomitant deterioration in the fiscal accounts.

Brazil - Deterioration in the current account continues

The current account deficit reached USD7.1bn in October, slightly more than expected (BBVAe: USD6bn, consensus: EUR6.8bn), and also higher than the previous reading (USD2.6bn) and the average of the last 12 months (USD6.7mn). In yearly terms, the deficit rose to 3.7% of GDP, the worst since the beginning of 2002. The sharp deterioration of the trade balance and the stubbornly high deficits on both the revenue and services accounts explain the recent deterioration in the current account. We still expect this negative trend to come to an end in the next few months, allowing the current account to deficit close the year at 3.6% of GDP and then to decline somewhat in 2014e. However, we view the recent deterioration in external accounts with some concern, especially as the Fed will start tapering sooner rather than later (which could generate a fresh wave of turbulence in global markets), and as we watch a concomitant deterioration in the domestic fiscal accounts.

Mexico - Headline inflation surprised to the upside, driven higher by perishable food prices

Headline inflation came in above expectations, increasing 0.85% FoF in the first fortnight of November (BBVAe: 0.71%, consensus: 0.72%) on the back of more than expected pressure in the perishables price component. Annual inflation reached 3.51%, increasing from 3.45% in the second fortnight of October. Core inflation was 0.11% FoF, a touch below expectations (BBVAe: 0.16%, consensus: 0.14%). The lower than expected print pushed annual core inflation down to 2.43% from 2.49% in the previous fortnight. Within its components, a softer than expected increase in core goods prices (0.03% FoF) offset the surprising increase in professional services (6.56% FoF) which pushed up the core services component (0.18% FoF). Core inflation continues to benefit from economic weakness, particularly the recent weak consumption readings which have apparently limited companies' pricing power. In this context, today's print reinforces our below-consensus year-end core inflation forecast (BBVAe: 2.6%, consensus: 2.8%).

What to watch today

Mexico - Unemployment rate (October, 09:00hrs NYT)

The unemployment rate will reveal the characteristics of the jobs created at the start of the fourth quarter for the workforce as a whole (i.e. for both the formal and informal sectors). Considering the recent improvement in some economic indicators, particularly industrial production growth in September (0.5% MoM sa), we estimate a slight fall in the unemployment rate to 5.2% in October from 5.3% in September. If confirmed, the signal of a gradual strengthening of the labour market would point to an improvement in consumption which has weakened further recently.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Consumer Confidence	25 Nov	Nov	--	--	--	111.7
FGV CPI IPC-S	25 Nov	Nov	0.66%	--	--	0.64%
FIPE CPI - Weekly	27 Nov	Nov	0.54%	--	--	0.55%
Selic Rate	27 Nov	--	10%	10%	--	9.50%
FGV Inflation IGPM MoM	28 Nov	Nov	0.33%	--	--	0.86%
PPI Manufacturing MoM	28 Nov	Oct	--	--	--	0.62%
Total Outstanding Loans	28 Nov	Oct	--	--	--	2598B
Primary Budget Balance	29 Nov	Oct	10B	--	--	-9.0B
Chile						
Manufacturing Index YoY	29 Nov	Oct	-2.10%	-2.10%	--	-1.00%
Retail Sales YoY	29 Nov	Oct	7.10%	6.60%	--	7.00%
Unemployment Rate	29 Nov	Oct	5.70%	5.80%	--	5.70%
Colombia						
Outstanding Loans YoY	25 Nov	Sep	--	--	--	15.89%
Industrial Confidence	25 Nov	Oct	--	3	--	0.4
Retail Confidence	25 Nov	Oct	--	18	--	16.7
National Unemployment Rate	29 Nov	Oct	--	9.50%	--	9.00%
Overnight Lending Rate	29 Nov	--	3.25%	3.25%	--	3.25%
Mexico						
Unemployment Rate	25 Nov	Oct	5.15%	5.20%	--	5.29%
Current Account Balance	25 Nov	3Q	-\$4000M	-\$3390M	--	-\$6008M

Most recent Latam reports

Date	Description
22-11-2013	➤ Latam Economic Outlook: Fourth Quarter 2013
22-11-2013	➤ Peru Economic Outlook: Fourth Quarter 2013
22-11-2013	➤ Chile Flash: Imacec should increase between 3.3% and 3.8% YoY in October
22-11-2013	➤ Mexico Inflation Flash: Inflation in the first fortnight of November
21-11-2013	➤ Mexico GDP Flash: In line with our forecast, the (seasonally adjusted) quarterly economic growth for the 3Q13 was 0.8%
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)

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