

Latam Daily Flash

4 December 2013 Economic Analysis

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Negative figures in Brazil imply a downward bias to our growth forecast and should contribute to putting an end to the present tightening cycle in January. In Chile the central bank revised downwards its GDP and inflation expectations for 2014. We expect monetary policy to still be data-dependent in the coming months.

Brazil - GDP contraction in 3Q13

Driven by a 2.2% QoQ contraction in investment, GDP declined by 0.5% QoQ in 3Q13, more than expected (BBVAe: -0.1% QoQ; consensus: -0.3% QoQ). While the prospects for domestic growth are far from being bright, we expect GDP to recover somewhat and to grow around 0.4% QoQ in 4Q13e due to the relative resilience of private consumption and some improvement in both investment and exports. Nonetheless, the 3Q13 GDP figures introduce a clear downward bias to our current growth forecasts (2.6% in 2013 and 2.8% in 2014). Even though things should not be as bad as they were in 3Q13 in terms of growth, the data released yesterday should reinforce the (justified) concerns about Brazil's economy. Finally, although inflation remains high, we expect "growth problems" to contribute to the **BCB putting an end to the present tightening cycle in January, with a +25bp adjustment** (for more details, see our [Brazil Flash](#)).

Chile - Central bank reduced forecast growth range for 2014

As we expected, the Monetary Policy Report for December contained a downward revision to the 2014 growth range, forecasting GDP expansion between 3.75% and 4.75% (previously at 4%- 5%), while for 2013 the central bank expects 4.2% GDP growth (in line with our view). In terms of prices, the bank also revised downwards its inflation expectations for December 2014, from 2.8% YoY to a 2.5% YoY (BBVAe: 2.6%), highlighting that convergence towards its 3% goal will be slower than anticipated, which we have been reflecting in our expectations for some considerable time. Finally, for the baseline scenario, the bank assumes an MPR path similar to that implicit in measures of private expectations, which call for a 25bp cut during the next year, closing at 4.25% (BBVAe: 4%). All in all, we expect the MPR to remain at 4.5% for the next few months, but future monetary policy decisions to remain data-dependent.

What to watch today

Brazil - Industrial production (October, 06:00hrs NYT)

We expect industrial output to have remained practically stable (+0.1% MoM) in October and upcoming economic activity data to support a partial recovery of the economy in 4Q13e.

Chile - Monetary policy minutes (November, 07:30hrs NYT)

We expect the minutes to reveal the details of the last monetary policy meeting, when the Board decided to cut the policy rate by another 25bp to 4.5% as a consequence of the deceleration in local activity and its detrimental effect on long-term inflation expectations. On the external front, the postponement of changes in global liquidity conditions related to the Fed's tapering, and the slowdown in emerging market growth, particularly in China, are likely to be the main concerns.

Mexico - Consumer and producer confidence (November, 10:00hrs NYT)

Consumer and producer confidence indexes registered a monthly decline of 0.5% and 2.8% in October, respectively. Given the moderate job-creation and slight reduction in unemployment in October (5.01% vs. 5.29% in September), we expect the consumer confidence index to rise 0.4% MoM and reach 93.7 points. In addition, given the moderate improvement in US manufacturing in October (0.3% MoM), we expect the producer confidence index to rise 0.7% MoM to 52.1 points.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	2 Dic	Nov	0.63%	--	0.68%	0.67%
PMI Manufacturing	2 Dic	Nov	--	--	49.7	50.2
Trade Balance Monthly	2 Dic	Nov	\$400M	\$800M	\$1740M	-\$224M
Vehicle Sales Fenabrave	2 Dic	Nov	--	--	302950	330196
GDP QoQ	3 Dic	3Q	-0.30%	-0.10%	-0.50%	1.50%
FIPE CPI - Monthly	4 Dic	Nov	0.51%	--	0.46%	0.48%
Industrial Production MoM	4 Dic	Oct	0.10%	0.10%	--	0.70%
PMI Services	4 Dic	Nov	--	--	--	52.1
Commodity Price Index MoM	4 Dic	Nov	--	--	--	-2.67%
COPOM Monetary Policy Meeting Minutes	5 Dic	--	--	--	--	--
Vehicle Sales Anfavea	5 Dic	Nov	--	--	--	330203
FGV Inflation IGP-DI MoM	6 Dic	Nov	0.29%	--	--	0.63%
IBGE Inflation IPCA MoM	6 Dic	Nov	0.58%	0.63%	--	0.57%
Chile						
Central Bank Meeting Minutes	4 Dic	--	--	--	--	--
Economic Activity YoY	5 Dic	Oct	4%	4.50%	--	3.90%
Economic Activity MoM	5 Dic	Oct	0.30%	1%	--	-0.80%
Vehicle Sales Total	5 Dic	Nov	--	--	--	31380
CPI YoY	6 Dic	Nov	2.10%	2.20%	--	1.50%
CPI MoM	6 Dic	Nov	0.10%	0.20%	--	0.10%
Colombia						
PPI MoM	4 Dic	Nov	--	--	--	-0.78%
CPI MoM	6 Dic	Nov	0.07%	0.10%	--	-0.26%
Exports FOB	6 Dic	Oct	\$4950	--	--	\$4850,7
CPI Core MoM	6 Dic	Nov	--	0.10%	--	0.03%
Mexico						
Remittances Total	2 Dic	Oct	1837,8M	1825M	1853,1M	1795.7M
IMEF Manufacturing Index SA	2 Dic	Nov	--	49.9	50.13	49.3
Consumer Confidence Index	4 Dic	Nov	92	93.7	--	91.2
Leading Indicators (MoM)	5 Dic	Oct	--	--	--	0.07
Gross Fixed Investment	6 Dic	Sep	-6.10%	-3.40%	--	-5.40%
Overnight Rate	6 Dic	--	3.50%	3.50%	--	3.50%

Most recent Latam reports

Date	Description
3-12-2013	➤ Brazil Flash: GDP contraction in 3Q13
3-12-2013	➤ Mexico Migration Flash: Remittances to Mexico increase for the third month in a row
3-12-2013	➤ Chile Flash: Monetary Policy Report (in Spanish)
3-12-2013	➤ Peru Automobile Market Outlook 2013 (in Spanish)
3-12-2013	➤ Mexico Economic Watch: Oil production sharing: a forecast of additional public revenues through 2018
2-12-2013	➤ Peru Flash: Annual inflation remained at the upper limit in November
29-11-2013	➤ Chile Flash: Activity data by sector anticipates Imacec at 4.5% YoY in October and a stable policy rate in December
29-11-2013	➤ Colombia Economic Watch: We expect monetary policy to remain neutral until the end of 2015
29-11-2013	➤ Chile Flash: On the way to under-execution with less expenditure, but also with a relevant decline in revenue. Effective fiscal deficit would end at 0.7% of GDP (in Spanish)
29-11-2013	➤ Colombia Flash: BanRep decided unanimously to keep its policy rate unchanged at 3.25%

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