

ECONOMIC ANALYSIS

The IMF renews the Flexible Credit Line (FCL) to Mexico for two years

Chile Unit / Colombia Unit / Latin America Unit / Mexico Unit / Peru Unit

The renewal involves a vote of confidence in the strength of the Mexican economy. Credit in Brazil appears to confirm the positive change in trend, driven by earmarked and public credit which has gained momentum since August. Analysts in Chile expect stability in the TPM in the very short term, but further stimulus on the horizon of six months.

Mexico – IMF approved the renewal of FCL equivalent to about US\$70 billion

The Credit Line implies an amount equivalent to SDR 47,292 (about US\$70 billion). The FCL coverage covers a period of two years. With this instrument, Mexico may use the resources without conditions. Mexican Exchange Commission considers that recruitment of this instrument allows against extreme risks form aboard. Mexican authorities mentions in the official communiqué that “remains the risk that a sudden increase in volatility in international financial markets” and that public debt profile is sustainable and a solid macroeconomic framework. Thus, IMF’s decision is a sign of confidence in the strength of the economy. FCL together with international reserves sums up to US\$260 billion, which represents more than 3.4 times the net external debt of the Federal Government. The yesterday’s renewed credit line was first approved in April 2009, and subsequently renewed in March 2010, January 2011 and November 2012.

Brazil - The downward trend in credit markets seems to have come to an end

Data released today by the BCB suggest that the process of moderation in credit markets has come to an end. The annual growth rate of the credit stock apparently bottomed out in August (11.1% YoY) after having declined continuously since January (14.8% YoY). Data for the most recent months show a slight upward trend since then: the credit strock grew at 11.7% YoY and 12.1% YoY, respectively, in September and October. The driver of this reversal in the trend of credit growth are earmarked and public credit, which started to gain momentum since August in sharp contrast with non-earmarked and private credit, which remain relatively stable. Finally, the report released yesterday showed that non-performing loans (NPL) declined slightly to 2.9% thanks to a drop in the NPL of non-earmarked credit and in spite of the small increase in the NPL of earmarked credit

Chile - Traders’ survey showed expectations of further monetary stimulus in 2015 and inflation below target for the longer-term

The traders’ survey came out with inflation estimates for November at +0.1% MoM (BBVAe: between -0.1/+0.1% MoM). Long-term inflation expectations (13 to 24 months ahead) decoupled below the central bank’s 3.0% target to 2.8%. In this context, and although a pause at 3.0% in policy rate is projected for the short-term, results revealed expectations of further monetary stimulus, with rates reaching 2.75% in six-month ahead (BBVAe: at least 2.50% in 2015 eop). Lastly, traders forecast that the currency will be around USDCLP 600 on a three-month horizon.

What to watch today

No relevant economic indicators is expected for today.

Calendar indicators

| | Brazil | Date | Period | Consensus | BBVAe | Actual | Prior |
|----|-------------------------------|-------------|---------------|------------------|--------------|---------------|--------------|
| BZ | FGV CPI IPC-S | 24-Nov | Nov | -- | -- | 0.58% | 0.50% |
| BZ | Current Account Balance | 24-Nov | Oct | -- | -\$7000M | -\$8131,3M | -\$7907M |
| BZ | FGV Consumer Confidence | 25-Nov | Nov | -- | -- | 95.3 | 101.5 |
| BZ | Federal Debt Total | 25-Nov | Oct | -- | -- | 2155B | 2183B |
| BZ | Outstanding Loans MoM | 26-Nov | Oct | -- | -- | 0.8% | 1.3% |
| BZ | FIPE CPI - Weekly | 27-Nov | - | -- | -- | 0 | 0.53% |
| BZ | FGV Inflation IGPM MoM | 27-Nov | Nov | -- | -- | 0 | 0.28% |
| BZ | Central Govt Budget Balance | 27-Nov | Oct | -- | -- | 0 | -20.4B |
| BZ | ONI Consumer Confidence | 27-Nov | Nov | -- | -- | 0 | 112.0 |
| BZ | GDP QoQ | 28-Nov | 3Q | 0.1 | 0.1% | 0 | -0.6% |
| BZ | Primary Budget Balance | 28-Nov | Oct | -- | -- | 0 | -25.5B |
| | Chile | | | | | | |
| CL | Central Bank's Traders Survey | 26-Nov | 0 | -- | -- | 0 | - |
| CL | Manufacturing Index YoY | 28-Nov | Oct | -- | 1,5% | 0 | 5.0% |
| CL | Unemployment Rate | 28-Nov | Oct | -- | 6.70% | 0 | 6.6% |
| CL | Copper Production Total | 28-Nov | Oct | -- | -- | 0 | 464572 |
| CL | Retail Sales YoY | 28-Nov | Oct | -- | -1.50% | 0 | -0.9% |
| | Colombia | | | | | | |
| CO | Industrial Confidence | 24-Nov | Oct | -- | 8.00 | 7.2 | 7.2 |
| CO | Retail Confidence | 24-Nov | Oct | -- | 23.00 | 23.2 | 23.2 |
| CO | National Unemployment Rate | 28-Nov | Oct | -- | -- | 0 | 8.4% |
| CO | Urban Unemployment Rate | 28-Nov | Oct | 9.05 | -- | 0 | 9.3% |
| | Mexico | | | | | | |
| MX | Unemployment Rate NSA | 24-Nov | Oct | 4.93 | 5.00% | 4.78% | 5.08% |
| MX | Unemployment Rate SA | 24-Nov | Oct | 4.76 | 4.80% | 4.71% | 4.75% |
| MX | Bi-Weekly CPI | 24-Nov | Nov | 0.77 | 0.66% | 0.74% | 0.09% |
| MX | Bi-Weekly Core CPI | 24-Nov | Nov | 0.16 | 0.11% | 0.13% | 0.07% |
| MX | Bi-Weekly CPI YoY | 24-Nov | Nov | 4.15 | 4.08% | 4.16% | 4.28% |
| MX | Current Account Balance | 25-Nov | 3Q | -- | -- | -\$2702M | -\$6982M |
| MX | Trade Balance | 26-Nov | Oct | -819.14 | -- | 142,97M | 590.1M |
| MX | Budget Balance YTD | 28-Nov | Oct | -- | -- | 0 | -412.1B |
| | Peru | | | | | | |
| PE | GDP YoY | 25-Nov | 3Q | -- | 1.70% | 1.80% | 1.7% |

Most recent Latam reports

| Date | Description |
|------------|--|
| 11.24.2014 | Mexico GDP Flash: In 3Q14 Mexico's GDP growth rate was moderate |
| 11.20.2014 | Chile Economic Watch: Growth and unemployment (the worst is yet to come) |
| 11.18.2014 | Chile Flash: Central bank kept policy rate at 3.00% |
| 11.17.2014 | Peru Flash: Output rebounds in September somewhat more than expected |
| 11.14.2014 | Peru Flash: Monetary pause continues in November with higher monetary accommodation (In Spanish) |
| 11.12.2014 | Mexico Flash: In October 2014 the annual rate of growth of formal employment in the Mexican private sector.. |
| 11.11.2014 | Mexico Flash: Industrial production increased 2.3%, YoY, sa, in September |
| 11.11.2014 | Chile Situation: 4Q 2014 (In Spanish) |
| 11.07.2014 | Chile Presentation: Radiography of the energy sector |
| 11.06.2014 | Brazil Flash: The upcoming monetary tightening will also depend on the tone of the fiscal policy |

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