

LatAm Daily | Drop in September's economic activity in Brazil

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Brazilian economic activity contracted slightly more than we expected in September. In Colombia, October's consumer confidence was consistent with the slowdown in retail sales. Today, figures for IPCA-15 and the labour market will be released in Brazil; we forecast increases both in inflation and unemployment.

Brazil - Economic activity declined again in September

Economic activity, measured by the IBC-BR indicator, declined 0.5% MoM in September. This contraction was somewhat larger than we expected (-0.2% MoM) and was broadly in line with market expectations (-0.6% MoM). Moreover, this was the fourth drop in a row of economic activity. Taking into account yesterday's figure, economic activity dropped 1.4% in 3Q15, less than in 2Q15 when it shrank 2.1%. This is in line with our view that 3Q15 GDP will decline, although not as much as in 2Q15 (when it contracted 1.9% QoQ). Having said that, there is a significant probability of downside risk to our forecast (0.5% QoQ) for 3Q15.

Colombia - Consumer confidence remains weak

In October, consumer confidence stood at 6.8 (in a range between -100 and 100), slightly above the September figure (4.3), but below the historical average (16.1). Households' perception of their own economic conditions remains more optimistic than those for the country as a whole. These weak figures are consistent with the slowdown in retail sales (2.9% YoY in September compared with 6.2% YoY in August). Consumer confidence might improve in the coming months because of the high approval ratings of the elected Mayor of Bogotá and the better performance of the manufacturing sector. In fact, the industrial production growth in 3Q15 was positive, leaving behind the negative figures of the earlier quarters this year.

What to watch today

Brazil - IPCA-15 (November, 07:00hrs NYT)

September's IPCA-15, which measures inflation from mid-October to mid-November, is likely to reach 0.75% MoM, higher than in the previous IPCA-15 reading (0.66%). In annual terms, inflation should break the 10% mark and jump to 10.2% YoY at the beginning of the month, in comparison to 9.8% YoY at the beginning of October. Food and administered prices should be the main culprits of the expected increase in inflation as measured by the IPCA-15.

Brazil - Labour market report (October, 07:00hrs NYT)

We expect the Report to show that labour markets continued to lose steam at the beginning of the last quarter of the year. The unemployment rate is likely to increase again, at least in seasonally-adjusted terms.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
Economic Activity MoM	18-Nov	Sep	-0.60%	-0.20%		-0.76%
FGV CPI IPC-S	16-Nov	Nov	0.83%		0.86%	0.78%
Central Bank Weekly Economists Survey	16-Nov					
Formal Job Creation Total	19-Nov	Oct	-178900			-95602
CNI Industrial Confidence	18-Nov	Nov			36.4	35
Unemployment Rate	19-Nov	Oct	7.60%	7.80%		7.60%
IBGE Inflation IPCA-15 MoM	19-Nov	Nov	0.83%	0.75%		0.66%
Chile						
GDP YoY	18-Nov	3Q15	2.10%	2.00%	2.20%	1.90%
GDP QoQ	18-Nov	3Q15	0.30%	0.30%	0.40%	0.00%
Current Account Balance	18-Nov	3Q15	-1650	-\$2,000	-2595	761
Colombia						
Industrial Production YoY	17-Nov	Sep	2.05%	3.50%	2.03%	2.60%
Retail Sales YoY	17-Nov	Sep	3.20%	3.70%	2.80%	5.40%
Consumer Confidence Index	18-Nov	Oct		8	6.8	4.3
Trade Balance	20-Nov	Sep	-1389.8	-\$1.259		-\$1433.6
Mexico						
Economic Activity IGAE YoY	20-Nov	Sep	2.60%			2.58%
GDP NSA YoY	20-Nov	3Q15	2.40%			2.20%
GDP SA QoQ	20-Nov	3Q15	0.60%	0.50%		0.50%
Peru						
GDP YoY	20-Nov	3Q15	2.90%	2.90%		3.00%

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
11.18.2015	Mexico: Mortgage financing accelerates and grows 17% in September
11.14.2015	Peru: Mining led growth, but non-primary sectors decelerated (In Spanish)
11.13.2015	Mexico: We estimate that GDP growth in 3Q15 will have been similar to the 2Q15
11.13.2015	Chile: Central Bank maintains MPR at 3.25% and contractionary bias (In Spanish)
11.13.2015	Peru: Unsurprisingly, the central bank keeps once again the policy rate on hold
11.11.2015	Mexico: Regional Sectorial Outlook Second Half 2015
11.10.2015	Colombia: Outlook 4Q15 (In Spanish)
11.10.2015	Chile: Outlook 4Q15 (In Spanish)
11.06.2015	Colombia: Automotive sector, recent developments and outlook
11.06.2015	Chile: Inflation in October surprised to the upside
11.06.2015	Colombia: Foodstuff inflation unstoppable
11.06.2015	Brazil: Inflation at 10%? Almost there
11.05.2015	Chile: Imacec surprised to the upside and eases the fears of a technical recession (In Spanish)
11.03.2015	Mexico: Credit to the private sector: grew 13.3% in September
11.03.2015	Mexico: Remittances grow 4.8% in September, with a flow of USD2,060mn (In Spanish)
11.03.2015	Peru: Inflation goes down in October but we expect this to be only transitory

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