

ECONOMIC ANALYSIS

In line with expectations, the central bank of Peru maintained the MPR unchanged but with a more dovish bias

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

The central bank omitted references to signs of recovery in activity and mentioned that the recent rise in inflation is temporary, in line with further easing.

Peru – Policy rate on hold, but with a more dovish bias

The central bank decided to keep the policy rate at 3.50 %, in line with both our and consensus expectations. In contrast to last month's press release, this time there was no mention of signs of a recovery in economic growth and instead it added that the recent inflation uptick is due to transitory supply factors. We understand this as being consistent with our view: that the bank's present easing stance is likely to be intensified soon, perhaps as early as December. Support for this view is to be found in our estimates for a strongly negative output gap, a less pronounced rebound in GDP than the authorities are anticipating, and a more benign 2015 inflation outlook. Nonetheless, the room for further easing is limited because an aggressive monetary policy easing could feed depreciation pressures on the local currency and in that way damage the balance sheets of firms and households with currency mismatches.

What to watch today

Brazil – Retail sales (September, 06:00hrs NYT)

We expect retail sales to expand slightly (+0.3% MoM) in September, supporting our view that the worst in terms of economic activity performance is already behind us and that GDP will prove to have recovered - very gradually - in 3Q14 after having dropped in 1Q14 and 2Q14.

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
IGP-M Inflation 1st Preview	10-Nov	Nov	--	--	0,51%	-0.07%
FGV CPI IPC-S	10-Nov	Nov	--	--	0,49%	0.43%
Retail Sales MoM	14-Nov	Sep	0,2	0.3%	--	1.1%
Retail Sales Broad MoM	14-Nov	Sep	0,2	--	--	-0.4%
Formal Job Creation Total	14-Nov	Oct	--	--	--	123785
Chile						
Central Bank's Traders Survey	12-Nov	--	--	--	--	0
Colombia						
Consumer Confidence Index	12-Nov	Oct	--	15	21,6	17.1
Retail Sales YoY	14-Nov	Sep	7	5.3%	--	7.5%
Industrial Production YoY	14-Nov	Sep	0,9	6.1%	--	0.3%
Colombia Monetary Policy Minutes	14-Nov	--	--	--	--	0
Mexico						
Gross Fixed Investment	10-Nov	Aug	3,2	2.9%	4,3%	3.1%
Industrial Production YoY	11-Nov	Sep	3,51	3.2%	3,03%	1.4%
Industrial Production MoM	11-Nov	Sep	--	0.38%	-0,09%	0.4%
Manufacturing Production YoY	11-Nov	Sep	--	4.75%	4,81%	1.4%
ANTAD Same-Store Sales YoY	11-Nov	Oct	--	--	--	-2.1%
Formal Job Creation Total	11-Nov	Oct	--	151.0K	172.1K	156.4K
Central Bank Monetary Policy Minutes	14-Nov	--	--	--	--	0
Peru						
Reference Rate	14-Nov	Nov	3,5	3.50%	--	3.50%
Economic Activity YoY	14-Nov	Sep	--	2.1%	--	1.2%
Unemployment Rate	14-Nov	Oct	--	--	--	5.6%

Most recent Latam reports

Date	Description
11.14.2014	Peru Flash: Monetary pause continues in November with higher monetary accomodation (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
11.06.2014	Colombia Flash: October inflation sticks at 3.3% as utility prices and transport fares rise
11.05.2014	Chile Flash: Imacec rose +1.4% YoY in September, below expectations once again
11.05.2014	Uruguay Flash: Inflation October 2014 (In Spanish)

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