

Latam Daily Flash

28 August 2013 Economic Analysis

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Public investment in Peru accelerated in July. Today we expect Central Bank of Brazil to announce a rate hike of 50bp, in line with our expectation of a final adjustment in October. In Chile the Financial Traders Survey should confirm expectations of a stable monetary policy rate at September's meeting.

Peru - Public investment accelerated again in July and we expect the momentum to be maintained in the coming months

Public investment grew 47.0% YoY in real terms in July (vs. 13.2% in June), mainly due to increased spending by local governments. We expect the momentum of this component of spending to be maintained in the coming months and thus to partially offset the moderation in private spending.

What to watch today

Brazil - Monetary meeting (announcement time: unspecified)

We expect the BCB to announce a 50bp hike in the Selic rate to 9%, maintaining the pace of tightening seen at the last meetings. In our view this move will be one of the last in the monetary tightening cycle with a final hike in October. The rate hike will be with the intention of keeping inflation under control, and will be in the context of a sharp depreciation in the currency and moderation in GDP growth. Note that the real has depreciated severely in recent weeks, reaching USDBRL 2.45 last Wednesday and closing the week at 2.35 ahead of the BCB's announcement of a new FX intervention strategy. Although there is consensus that the Selic will be raised, and by how much, the market will be keeping an eye on the monetary policy statement as it could reinforce expectations of a further 25bp adjustment in October (which is our long-held view).

Chile - Central Bank Financial Traders Survey (second half of August, 08:30hrs NYT)

We expect the survey to maintain inflation estimates at around 0.3% MoM for August and expectations of a stable monetary policy rate at September's meeting. We also anticipate exchange-rate estimates in the region of USDCLP 520 on a three-month horizon.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Selic Rate	28 Aug	Aug 28	9.00%	--	--	8.50%
Outstanding Loans MoM	29 Aug	Jul	--	--	--	1.80%
GDP QoQ	30 Aug	2Q	0.80%	--	--	0.60%
Net Debt % GDP	30 Aug	Jul	--	--	--	34.50%
Chile						
Central Bank's Traders Survey	28 Aug	--	--	--	--	--
Manufacturing Index YoY	29 Aug	Jul	0.50%	1.70%	--	-2.70%
Retail Sales YoY	29 Aug	Jul	8.30%	10.10%	--	7.70%
Copper Production Total	29 Aug	Jul	--	435518	--	482252
Unemployment Rate	30 Aug	Jul	6.30%	6.40%	--	6.20%
Colombia						
Industrial Confidence	26 Aug	Jul	--	-4	-2	-5.1
Urban Unemployment Rate	30 Aug	Jul	11.00%	0.11	--	11.20%
Overnight Lending Rate	30 Aug	Aug 30	3.25%	3.25%	--	3.25%
Mexico						
Trade Balance	26 Aug	Jul P	--	--	-1436.7M	856.4M
Peru						
CPI MoM	01 Aug	Aug	--	--	--	0.55%
Wholesale Price Index MoM	01 Aug	Aug	--	--	--	0.97%

Most recent Latam reports

Date	Description
26-08-2013	➤ Chile Economic Outlook 3Q13
22-08-2013	➤ Mexico Inflation Flash: August's biweekly inflation: there are no signs of demand-side inflation pressures
21-08-2013	➤ Mexico GDP Flash: The GDP growth estimate for this year is revised to 1.4% and the scenario for 2014 remains without relevant changes in 3.1%
20-08-2013	➤ Mexico GDP Flash: GDP surprises to the downside with a reduction of -0.7% q/q. This mainly as a result of the strong decline in the industrial output
20-08-2013	➤ Latam Economic Outlook 3Q13
19-08-2013	➤ Mexico Real Estate Flash: Stark contrasts continue in mortgage activity
19-08-2013	➤ Brazil Economic Outlook 3Q13 (In Spanish)
19-08-2013	➤ Flash Chile: GDP growth reached 4.1% YoY in 2Q13
15-08-2013	➤ Flash Peru: GDP slowed in June
13-08-2013	➤ Colombia Economic Outlook 3Q13 (In Spanish)

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