

Latam Daily Flash

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Economic Analysis

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In Colombia, monetary policy minutes revealed the concerns of the minority of board members that voted for a rate cut at the latest meeting. Today eyes will be on Peru's GDP figures, where we expect growth to reflect dynamic domestic demand components.

Brazil - Economic activity contracted in July

According to the IBC-Br, the BCB's economic activity indicator that works as a monthly proxy for GDP, the economy contracted by 0.3% MoM in July. The contraction was less than expected (BBVAe: -0.5% MoM; consensus: -0.65% MoM), probably due to a stronger than anticipated rebound in private consumption (the latest retail sales print last Thursday revealed a 1.9% MoM expansion, considerably more than forecast). In any case, the July IBC-Br supports the view that GDP will decelerate sharply in 3Q13 after having expanded by 1.5% QoQ in 2Q13. It also suggests, however, that a GDP contraction (in QoQ terms) may be avoided.

Colombia - Monetary policy minutes revealed the concerns of BanRep board members

The minutes showed that both internal and external factors worried the minority of the board that voted for a rate cut. At least two of seven board members considered that a rate cut was necessary as Colombia's trading partners are likely to grow more slowly than in 2012, coupled with domestic leading indicators showing a slow output gap closure amidst controlled inflation. Nevertheless, the majority of the board assessed that the current monetary stance was already helping a recovery in aggregate demand, while recognising that 2Q13 GDP (due to be published on 19 September) and Fed tapering should be valuable for September's decision. All in all, the minutes revealed that a low 2Q13 GDP print would be a decisive factor in the board adopting a more expansionary stance.

Peru - Business confidence fell into the pessimistic zone in August

The latest reading for this indicator was 48, below the previous reading (50 in July). August's result reflects a less optimistic view on economic activity in general. Meanwhile, a complementary indicator, reflecting the view of businessmen on the expected demand for their own products, rose one point (to 58), staying in the optimistic zone. Our assessment of these two results in combination is that growth in private spending will remain more moderate for the rest of the year.

What to watch today

Peru - GDP growth (July 12:00 hrs NYT)

We estimate GDP grew 4.8% YoY in July, above the previous reading (4.4% in June). In our view, this level of expansion would still reflect dynamic growth in the sectors most closely linked to domestic demand, but at a more moderate pace than in the previous quarter.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-10 MoM	16 Sep	Sep	--	--	--	0.15%
FGV CPI IPC-S	16 Sep	2-Sep	--	--	--	0.25%
Formal Job Creation Total	16-21 Sep	Aug	--	--	--	41463
CNI Industrial Confidence	17 Sep	Aug	--	--	--	52.5
FIPE CPI - Weekly	18 Sep	2-Sep	0.24%	--	--	0.21%
IGP-M Inflation 2nd Preview	18 Sep	Sep	--	--	--	0.11%
IBGE Inflation IPCA-15 MoM	20 Sep	Sep	0.30%	0.33%	--	0.16%
Colombia						
Vehicle Sales	16-30 Sep	Aug	--	--	--	25301
Outstanding Loans	16-20 Sep	Jul	--	--	--	\$265.0T
GDP QoQ	19 Sep	2Q	--	1.6%	--	0.3%
GDP YoY	19 Sep	2Q	3.5%	3.3%	--	2.8%
Retail Sales YoY	20 Sep	Jul	5.5%	4.9%	--	4.1%
Industrial Production YoY	20 Sep	Jul	-4.0%	-1.4%	--	-5.5%
Mexico						
Aggregate Supply and Demand	19 Sep	2Q	--	--	--	1.0%
Unemployment Rate	20 Sep	Aug	--	--	--	5.12%
Central Bank Monetary Policy Minutes	20 Sep	--	--	--	--	--
Peru						
Unemployment Rate	16 Sep	Aug	--	--	--	6.0%
Economic Activity YoY	16 Sep	Jul	--	4.80%	--	4.4%
Central Bank Quarterly Inflation Report	20 Sep	--	--	--	--	--

Most recent Latam reports

Date	Description
12-09-2013	➤ Flash Chile: Central Bank kept the monetary policy rate at 5%. Even though, the downward bias for the MPR was ratified
12-09-2013	➤ Flash Peru: Monetary policy meeting: no news
10-09-2013	➤ Colombia Economic Outlook 3Q13
06-09-2013	➤ Banxico Flash: As BBVA Bancomer called it, Banxico cuts the monetary interest rate. If the economic weakness continues, another cut cannot be dismissed
06-09-2013	➤ Brazil Flash: Inflation continues to ease
06-09-2013	➤ Flash Chile: CPI inflation increased 0.2% MoM in August
06-09-2013	➤ Flash Colombia: Consumer inflation stood at 2.27% YoY with a limited transmission of agricultural sector protests
05-09-2013	➤ Flash Brazil: COPOM minutes suggest that the monetary tightening will continue at an unchanged pace, at least in the short term
05-09-2013	➤ Flash Chile: Economic activity increased 5,3% YoY in July, below expectations
04-09-2013	➤ Mexico Banking Outlook

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