

Latam Daily Flash

17 October 2013 Economic Analysis

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Based on high-frequency data in Brazil, GDP will grow markedly less in 3Q13 than in 2Q13 or even decline. In Chile, the bank survey showed stabilisation of lending conditions in most sectors. Today eyes will be on the latest monetary policy meeting minutes in Brazil and on the MP decision in Chile. No changes are expected in the latter but conditions could be in line with a first cut before the end of the year.

Brazil - Economic activity grew 0.1% MoM in August after declining 0.3% MoM in July

The IBC-Br, the BCB's economic activity indicator, revealed that economic activity recovered somewhat in August after declining in July. The growth in August (0.1% MoM) was broadly in line with our forecast (0.0% MoM) and slightly better than markets expected (-0.2% MoM). Even though economic activity could grow more significantly in MoM terms in September (as suggested by high-frequency indicators), GDP will grow markedly less in 3Q13 than in 2Q13. More precisely, we expect GDP to decline 0.1% MoM in 3Q13e, which compares very poorly with the 1.5% MoM growth in 2Q13.

Chile - Bank's lending conditions remained stable during 3Q13

The central bank survey of the bank credit environment in 3Q13 reflected stabilisation of lending conditions for households and companies except in the construction sector, where supply was more restrictive. Additionally, results also reflected relatively stable credit demand conditions for all segments except for companies (large companies and SMEs) where they strengthened.

What to watch today

Brazil - Monetary policy minutes (October, 07h30hrs NYT)

The much awaited minutes of the last monetary policy meeting should help markets to gauge the extent of the forthcoming monetary tightening. We think these minutes will not close any doors, but continue to see as more likely that the BCB puts an end to the present tightening cycle with a 25bp adjustment in November. Nonetheless, we acknowledge that there is now a higher probability of a more significant adjustment.

Chile - Monetary policy meeting (October, 17:00hrs NYT)

We expect the central bank to keep its monetary policy rate unchanged at 5% and to maintain a dovish stance. We also expect the Board to discuss a 25bp cut as a policy option, while maintaining the reference rate. Finally, our analysis suggests that the conditions needed for monetary easing are now present and we expect a first cut before the end of the year.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Formal Job Creation Total	16 Oct	Sep	154.396	--	211068	127648
Retail Sales MoM	15-Oct	Sep	0.10%	0.20%	0.90%	1.90%
Tax Collections	17-Oct	Sep	84000M	--	--	83956M
FGV Inflation IGP-10 MoM	16 Oct	Oct	1.17%	--	1.11%	1.05%
FGV CPI IPC-S	16 Oct	2-Oct	--	--	0.45%	0.38%
Economic Activity MoM	16 Oct	Aug	-0.20%	0.00%	0.08%	-0.33%
FIPE CPI - Weekly	17 Oct	2-Oct	0.29%	--	--	0.29%
COPOM Monetary Policy Meeting Minutes	17 Oct	--	--	--	--	--
IGP-M Inflation 2nd Preview	18 Oct	Oct	--	--	--	1.36%
IBGE Inflation IPCA-15 MoM	18 Oct	Oct	0.44%	0.4%	--	0.27%
Chile						
Overnight Rate Target	17 Oct	2-Oct	5.00%	5.00%	--	5.00%
Colombia						
Outstanding Loans	17-Oct	Aug	--	--	--	\$266.9T
Retail Sales YoY	18 Oct	Aug	5.50%	4.1%	--	5.40%
Industrial Production YoY	18 Oct	Aug	-0.30%	-1.8%	--	0.20%
Mexico						
Unemployment Rate	18 Oct	Sep	5.12%	--	--	5.17%
Peru						
Unemployment Rate	15 Oct	Sep	--	--	5.90%	5.60%
Economic Activity YoY	15 Oct	Aug	0.05	4.3%	4.30%	4.50%

Most recent Latam reports

Date	Description
15-10-2013	▶ Peru Flash: August's GDP in line with market expectations
14-10-2013	▶ Flash Chile: We forecast October's CPI yet at -0.1%, but towards 0%
11-10-2013	▶ Flash Chile: We forecast Retail Sales in 7.5% YoY in September
10-10-2013	▶ Flash Peru: Unchanged monetary policy stance
10-10-2013	▶ Brazil Flash: COPOM: no surprises; no hints
09-10-2013	▶ Mexico Inflation Flash: September's inflation: came in lower than our below-consensus expectation
09-10-2013	▶ Brazil Flash: Inflation drops below 6% for the first time this year
08-10-2013	▶ Chile Flash: CPI in September at 0.5% in line BBVA's forecast
07-10-2013	▶ Colombia Flash: September CPI inflation stood unchanged at 2.27% YoY above market expectations which anticipated an annual drop
07-10-2013	▶ Chile Flash: Monthly activity expanded 4,1% YoY in August

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