

Latam Daily Flash

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Economic Analysis

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In Peru central bank surprised by cutting its policy rate, the CB said the cut took into account that growth has slowed below its potential rate. Inflation data from Brazil confirmed that the downward trend has come to an end. We have adjusted our inflation forecast upwards, and also updated our interest rates forecast and now expect the Selic to close 2013 at 10%.

Peru - Central Bank surprised by cutting its policy rate

The Central Bank (CB) lowered the benchmark rate 25 basis points, bringing it to 4.0%. The decision was widely unexpected, given that in its latest press releases the CB had been arguing that GDP growth was close to its long term trend. However, today, the CB said the cut took into account that growth has slowed below its potential rate. Going forward, the uncertainty about the path that the policy rate will follow has increased, given the sudden change in the CB perception on the state of the economic cycle and the expected rebound of activity since the last quarter of the year (see [Peru Flash](#)).

Brazil - Inflation's downward trend comes to an end; we adjust our Selic forecast upwards

Yearly inflation came in at 5.84% YoY in October, broadly in line with expectations (BBVAe: 5.82% YoY; consensus: 5.87% YoY) and more or less stable in comparison to the previous reading (5.86% YoY). Taking into account the data released yesterday and the likelihood of an adjustment in fuel prices in November, we have adjusted our inflation forecasts for the end of the year from 5.7% YoY to 5.8% YoY (and to 6.0% YoY in November), as we expect the declining trend in inflation to reverse after having dropped continuously since June (6.70% YoY). As inflation remains high and resilient (not only observed inflation but more especially expectations), and given the lack of signals from the monetary authority about the end of the ongoing monetary tightening cycle, we have also updated our interest-rate forecasts and now expect the authority to adjust the Selic by another 50bp at its next monetary policy meeting (the last in 2013), taking it to 10.0% at the end of the year. The tightening is likely to continue at the beginning of 2014, with a final 25bp hike in January.

Mexico - Core inflation remains subdued while non-core inflation was driven higher by electricity tariffs

Headline inflation was pretty much in line with expectations, increasing 0.48% in October (BBVAe: 0.43%; consensus: 0.46%). Annual inflation remained practically unchanged, decreasing from 3.39% in September to 3.36% in October YoY. Core inflation was 0.19% MoM, in line with consensus expectations and a touch above our below-consensus forecast (BBVAe: 0.15%), decreasing slightly in annual terms to 2.48% YoY from 2.52% in September. Compared with our forecast, the upside surprise was mainly driven by a stronger than anticipated acceleration in the "other services" component which rose 0.46% MoM (BBVAe: 0.25%), driven higher by a 2.13% MoM increase in mobile phone rates. The strong services print more than offset the softer than expected increase in the core goods component (actual: 0.11% MoM; BBVAe: 0.15%).

Chile - Trade balance registered a surplus of USD241mn in October

After three consecutive months of deficits, the balance of trade was a positive USD241mn in October, accumulating a surplus of USD1,079mn in 2013. The figure was driven by exports at USD7,044mn (-5.4% YoY) while imports reached USD6,803mn (-13.9% YoY). Meanwhile, copper exports amounted to USD3,893mn (-14.0% YoY). These prints showed a sharp slowdown in the value of imports due to both a deceleration in domestic demand and decreases in the price of oil-related products.

What to watch today

Chile - Consumer price index (October, 7:00hrs NYT)

We expect October CPI to be the same as in September (0.0% MoM and +1.4% YoY). Increases in prices of perishable food, due to supply shock (climate factor), should be fully compensated by decreases in prices of fuels. Although monthly inflation is low, we only expect the annualised figure to be below 2% temporarily.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Monthly	4 Nov	Oct	0,43%	--	0,48%	0,25%
PMI Services	5 Nov	Oct	--	--	52,1	50,7
FGV Inflation IGP-DI MoM	6 Nov	Oct	0,74%	--	0,63%	1,36%
Commodity Price Index MoM	6 Nov	Oct	-2,81%	--	-2,67%	-2,82%
Vehicle Production Anfavea	6 Nov	Oct	--	--	323776	332029
IBGE Inflation IPCA MoM	7 Nov	Oct	0,60%	0,55%	0,57%	0,35%
CNI Capacity Utilization (SA)	8 Nov	Sep	82,15%	--	--	82,00%
IGP-M Inflation 1st Preview	8 Nov	Nov	0,60%	--	0,30%	0,85%
FGV CPI IPC-S	8 Nov	Nov	0,60%	--	0,63%	0,55%
Chile						
Economic Activity YoY	5 Nov	Sep	4,15%	3,90%	3,90%	4,10%
Central Bank Meeting Minutes	5 Nov	--	--	--	--	--
Trade Balance	7 nov	Oct	-\$132	--	\$241	-\$220
Exports Total	7 Nov	Oct	--	--	\$7044	\$5853
Imports Total	7 Nov	Oct	--	--	\$6803	\$6074
CPI YoY	8 Nov	Oct	1,44%	0,00%	--	2,00%
Colombia						
CPI MoM	6 Nov	Oct	0,13%	0,11%	-0,26%	0,29%
CPI Core MoM	6 Nov	Oct	--	0,07%	0,03%	0,26%
Exports FOB	8 Nov	Sep	--	\$4850	--	\$4978.3
Colombia Monetary Policy Minutes	8 Nov	--	--	--	--	--
Mexico						
Consumer Confidence Index	4 Nov	Oct	92,80	--	91,2	94,10
Central Bank 3Q Inflation Report	6 Nov	--	--	--	--	--
CPI MoM	7 Nov	Oct	0,46%	--	0,48%	0,38%
CPI Core MoM	7 Nov	Oct	0,19%	--	0,19%	0,32%
Gross Fixed Investment	8 Nov	Aug	-3,00%	--	--	-0,40%
Central Bank Monetary Policy Minutes	8 Nov	--	--	--	--	--
Vehicle Production AMIA	6 Nov	Oct	--	--	285230	241740
Peru						
Reference Rate	8 Nov	Nov	4,25%	4,25%	4,00%	4,25%

Most recent Latam reports

Date	Description
7-11-2013	➤ Flash Peru: Central Bank surprised by cutting its policy rate
7-11-2013	➤ Uruguay Economic Outlook: Second Half 2013 (in Spanish)
7-11-2013	➤ Mexico Inflation Flash: Core inflation remains subdued while non-core inflation was driven higher by electricity tariffs
7-11-2013	➤ Peru Economic Outlook: Fourth Quarter 2013 (in Spanish)
6-11-2013	➤ Chile Economic Outlook: Fourth Quarter 2013 (in Spanish)
6-11-2013	➤ Colombia Flash: October inflation surprised on the downside by falling 0,26% MoM and reducing annual inflation (1,84%) below the target range
5-11-2013	➤ Flash Chile: Monthly activity reached 3.9% YoY in September (in Spanish)
5-11-2013	➤ Chile Economic Watch: 3Q13 Budget Execution: More revenue and less expenditure
4-11-2013	➤ Flash Peru: October Inflation was in line with market expectations
1-11-2013	➤ Mexico Economic Watch: Update of Fiscal Reform: approved in both Chambers with few changes

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