

Latam Daily Flash

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Economic Analysis

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Today's monthly activity indicator in Brazil should show no recovery in November, reflecting a moderation in GDP growth by the end of the year. In Chile, the central bank kept the policy rate at 4.5% but included a dovish bias. Finally, in Mexico the unemployment rate could complete a picture of a very slow recovery of the domestic market in 4Q13.

Chile - Central bank kept policy rate at 4.5% but included a dovish bias

The central bank kept the MPR at 4.5% as expected by consensus and contrary to our view (BBVAe: 4.25%). Even so, the main novelty of this communiqué was the introduction of a dovish bias for the MPR with respect to the already implicit bias in the last Monetary Policy Report. The central bank's last baseline scenario forecast that the policy rate would reach 4.25% in 1H14 which now appears to be considered insufficient additional monetary stimulus given the slowdown in domestic demand (particularly investment). We still see GDP growth at 4% in 2014e and the MPR at 4% in the coming months, as we have been forecasting since May 2013 (for more details, see our [Chile Flash](#)).

Brazil - Retail sales expanded more than expected in November

Core retail sales, which exclude automobiles and construction materials, grew 0.7% MoM, well above forecasts (BBVAe: 0.3% MoM; consensus: 0.4% MoM), led by supermarket sales. The broad index increased 1.3% MoM. The expansion of retail sales is in line with the relative moderation of inflation, which bottomed-out in November, the resiliency of labour markets and the maintenance of some tax incentives. The partial reversion of these three factors should have a negative impact on private consumption in the months ahead, which will reduce the contribution of this demand component to 4Q13e GDP growth.

What to watch today

Brazil - IBC-Br (November, 05:30hrs NYT)

After gaining 0.8% MoM in October, the BCB's monthly activity indicator should remain flat in November (or even be slightly positive given yesterday's positive surprise in retail sales), revealing that economic activity cooled down at the end of the year (we expect the slowdown to continue in December). All in all, growth in October should pave the way for GDP growth of around 0.5% QoQ in 4Q13.

Mexico - Unemployment rate (December, 09:00hrs NYT)

INEGI is set to release the structural employment figures for December that will complete the information for the last quarter of 2013. The indicator will provide an assessment of the strength of the economic recovery, especially in consumption and, in general, the domestic market, which has seen a very slow recovery. Over 120,000 formal jobs were created in November although industrial output only increased 0.1% MoM and the performance of the services sector has been weak. We therefore estimate a slight drop in unemployment from 4.47% in November to 4.44% in December.

Colombia - Retail sales and industrial production (November, 16:00hrs NYT)

In November, we expect industrial production to fall 2.6% YoY, the fourth month of consecutive decline. This result would imply a slower recovery of private non-residential investment than anticipated. In contrast, we expect retail sales to grow 5.2% YoY, boosted by food and beverages on robust domestic demand.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-10 MoM	15 Jan	Jan	0.60%	--	0.58%	0.44%
Selic Rate	15 Jan	--	10.25%	10.25%	10.50%	10.00%
Formal Job Creation Total	17 Jan	Dec	-473000	--	--	47486
CNI Industrial Confidence	17 Jan	Jan	82.2	--	--	54.3
FGV CPI IPC-S	16 Jan	Jan	0.79%	--	0.85%	0.73%
Retail Sales MoM	16 Jan	Nov	0.40%	0.30%	0.70%	0.20%
IGP-M Inflation 2nd Preview	17 Jan	Jan	0.51%	--	--	0.54%
Economic Activity MoM	17 Jan	Nov	0%	0%	--	0.77%
CNI Capacity Utilization (SA)	17 Jan	Nov	--	--	--	82.1%
Chile						
Overnight Rate Target	16 Jan	--	4.50%	4.50%	4.50%	4.50%
Colombia						
Consumer Confidence Index	13 Jan	Dec	--	23	23.2	23.1
Trade Balance	15 Jan	Nov	\$83,2	\$435.1	\$128,1	-\$264.0
Retail Sales YoY	17 Jan	Nov	4.00%	5.20%	--	6.60%
Industrial Production YoY	17 Jan	Nov	0%	-2.60%	--	-0.10%
Mexico						
ANTAD Same-Store Sales YoY	17 Jan	Dec	-0.40%	--	--	3.40%
Unemployment Rate	17 Jan	Dec	4.27%	4.44%	--	4.47%
Peru						
Economic Activity YoY	15 Jan	Nov	5.20%	4.70%	4.81%	5.40%
Unemployment Rate	15 Jan	Dec	5.60%	--	5.70%	5.80%

Most recent Latam reports

Date	Description
16-01-2014	➤ Chile Flash: Central bank kept policy rate at 4.5% but includes a dovish bias
16-01-2014	➤ Brazil Flash: Higher inflation and a weaker currency force the COPOM to maintain the tightening pace
15-01-2014	➤ Peru Flash: November GDP reflected momentum of trade and services
14-01-2014	➤ Mexico Banking Flash: Enacting the Financial Reform: a first step in the right direction albeit with several aspects still to be defined
14-01-2014	➤ Financial inclusion and the role of mobile banking in Colombia: developments and potential (in Spanish)
13-01-2014	➤ Mexico Real Estate Outlook: First Half 2014 (in Spanish)
13-01-2014	➤ Brazil Flash: Inflation closed 2013 within the target range, but the BCB's implicit goal was not met
13-01-2014	➤ Mexico Banking Flash: Enactment of Financial Reform: a first step in the right direction but several aspects still to be defined (in Spanish)
09-01-2014	➤ Mexico Inflation Flash: December's inflation
09-01-2014	➤ Peru Flash: Monetary policy: no surprises in January

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