

LatAm Daily | In Chile, activity data by sectors decreased more than expected

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In Chile, activity data by sectors decreased more than expected driven by slumps in manufacturing and mining, and by a lower increase of retail sales. Unemployment remains resilient due to fiscal support and reallocation of employment by sectors. On the other hand, Colombian unemployment surprisingly breaks the downward trend, starting to reflect the economic slowdown.

Chile - Activity data by sector below expectations in August

Manufacturing output decreased by 1.4% YoY (BBVAe: +1.2%; consensus: +0.5%) mainly driven by negative contributions from metals, food and machinery. Mining output slumped to -9.3% YoY due to the negative contributions from copper, in part due to transitory supply disruptions at Codelco's facilities. Meanwhile, retail sales increased 1.9% YoY (BBVAe: +2.0%; consensus: 1.5%) explained by positive contributions from non-durable consumption, although perspectives remain weak. All in all, aggregate activity figures anticipate a rate of growth in the Imacec of between 1.5% and 2.0% YoY during August (see our [Chile Flash](#) in Spanish for details).

Chile - Unemployment rate remained resilient

The jobless rate showed a slight decline to 6.5% in August (from 6.6% in July), driven by a 2.3% YoY rise in job-creation (mainly salaried jobs) higher than the 2.0% YoY growth of the labour force. Annual job-creation was driven by public-sector jobs and also by transportation, telecoms, commerce, hotels and construction. Analysis also revealed an increase in involuntary part-time employment (+2.5% YoY), implying weakness in some aspects of job-creation. All in all, fiscal support and the reallocation of employment by sectors appear to be responsible for the low jobless rate during the current business cycle, in a context of a stable - or even a slight increase over 12 months in - the labour force participation rate (see our [Chile Flash](#) in Spanish for details).

Colombia - Unemployment in August is starting to reflect the economic slowdown

The urban unemployment rate stood at 9.9% in August. The figure came as a surprise since it seems to break the downward trend in the unemployment rate observed during 2015 and since it represents an increase compared to a year ago (a 0.4pp increase YoY). So far the economic slowdown had been reflected in the gradual reduction in the rate of job-creation and in the increase of informal employment (since the end of 2014), but not in a rising unemployment rate. That changed in August when the unemployment rate grew YoY driven by a job-creation (1.3% YoY) that was lower than the 1.8% YoY growth of the labour force. Despite the slowdown in urban job-creation during the year, real estate and construction are still creating jobs at a good pace (+12.2% and +4.7% in annual terms during the first half of 2015, respectively). In contrast, industry and Government services have posted a deceleration in job-creation, with negative growth of -1.7 % and -2.2 % YoY in June-August, respectively (see our [Colombian Flash](#) in Spanish for details).

Brazil - Public sector's gross debt reached 65.3% of GDP in August

Facing the challenge to deliver a primary surplus 0.15% of GDP and meet this year's fiscal target, the public sector posted a BRL7.3bn deficit in August. Data available for the central government shows that tighter control of expenditure (which has increased only 6.1% in the year to date, below the rate of inflation) has been insufficient to offset the impact of the contraction in domestic demand on revenues (which have increased 3.2% in the year up to August). In line with these results, the central government has accumulated a BRL14.9bn deficit in the first eight months of the year. As we do not expect the negative trend in revenues and expenditure to change significantly in the next few months, the most likely outcome is that the central government will not be able to reach its BRL5.8bn primary surplus target this year. We forecast the central government will post a deficit around BRL19bn this year, which implies that the public sector will print a BRL13bn deficit (the target is a surplus of BRL8.7bn, around 0.15% of GDP) thanks to the positive contribution made by the regional governments (which are expected to reach their BRL2.9bn target). Public gross debt reached 65.3% of GDP in August. We expect it to close the year above 66% and then to move up to around 71% in 2016.

Peru - MSCI Peru Index remains as Emerging Market

MSCI Inc. announced its decision to maintain the MSCI Peru Index as an "Emerging Market". The risk of a downgrade to a "Frontier Market" was thus averted (this would have resulted in outflows from some investment funds and increased pressure on the PEN). MSCI highlighted the efforts of the Peruvian authorities to enhance the liquidity in the equity market through a number of initiatives, such as the adoption of a capital gains tax exemption and enhancements to the equity trading infrastructure. However, it also noted that there will be an active monitoring of the developments in the Peruvian equity market over the coming months and a reassessment of the market classification in 2016.

What to watch today

Chile - Minutes of monetary policy meeting (September, 07:30hrs NYT)

Monetary policy minutes should reveal concerns about annual inflation figures above 4% and the worries of persistent exchange-rate depreciation that will very probably support an imminent hike in policy rates. The latter, was the main message in September's communiqué although rates were kept unchanged at 3%. Finally, the assessment of growth perspectives should reflect concerns over slack in both domestic and external demand.

Peru - Consumer prices (September, 11:00hrs NYT)

We expect headline CPI to have increased by 0.11% MoM, the lowest result in 10 months. This takes into account the lower fuel prices, the downward correction in onion prices, the relative stability of other food prices, and the domestic currency appreciation in September (the first monthly decline in 14 months). This print is consistent with our year-end inflation forecast of 4.1%, above the target range's (2%, +/- 1pp) ceiling.

Colombia - Economic monitoring index —ISE— (July, 17:00hrs NYT)

We expect the ISE to have risen 2.9% YoY. This result might indicate that GDP growth is stabilising at a rate slightly below 3.0% YoY, in line with our expectations for the second half of the year.

Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
Brazil						
FGV Inflation IGPM MoM	29-sep	Sep	0.80		0.95	0.28
National Unemployment Rate	29-sep	Jul	8.50		8.6	8.3
Primary Budget Balance	30-sep	Aug	-12.40		-7.31	-10.019
FGV CPI IPC-S	1-oct	Sep	0.45			0.35
Trade Balance Monthly	1-oct	Sep	2450			2689
CNI Capacity Utilization (SA)	1-oct	Aug				78.6
Industrial Production MoM	2-oct	Aug	-1.60	-0.5		-1.5
CNI Consumer Confidence	2-oct	Sep				98.9
Chile						
Unemployment Rate	30-sep	Aug	6.70	6.8	6.5	6.6
Manufacturing Production YoY	30-sep	Aug	0.50	1.2	-1.41	0.72
Retail Sales YoY	30-sep	Aug	2.40	2	1.85	2.9
Copper Production Total	30-sep	Aug				455083
Industrial Production YoY	30-sep	Aug	-0.15		-5.17	-1.68
Colombia						
Vehicle Sales	29-sep	Aug				22192
Urban Unemployment Rate	30-sep	Aug	8.98	8.9	9.94	9.01
National Unemployment Rate	30-sep	Aug			9.09	8.84
Economic Activity Index SA YoY	1-oct	Jul	2.75	2.9		3.1
Mexico						
Unemployment Rate SA	28-sep	Aug	4.30		4.32	4.31
Net Outstanding Loans	30-sep	Aug			2905.8	2859.2
Leading Indicators (MoM)	1-oct	Aug				-0.09
Remittances Total	1-oct	Aug	2182	2185		2231.8
IMEF Manufacturing Index SA	1-oct	Sep	51.50			51.794
IMEF Non-Manufacturing Index SA	1-oct	Sep	50			49.489
Vehicle Domestic Sales AMIA	2-oct	Sep				112038
Gross Fixed Investment	2-oct	Jul	4.50	4.4		8.6
Peru						
CPI YoY	1-oct	Sep	4.13			4.04
CPI MoM	1-oct	Sep	0.25			0.38

Source: Bloomberg and BBVA Research

Most recent Latam reports

Date	Description
09.30.2015	Chile: Indicators by sector point to a low Imacec in August at 2% YoY (In Spanish)
09.30.2015	Peru: Exports remained weak in August (In Spanish)
09.29.2015	Mexico: In July, mortgage lending grew 17%
09.28.2015	Chile: September CPI would increase 0.6% MoM (4.8% YoY) (In Spanish)
09.26.2015	Mexico: The IGAE shows weakness at the start of the third quarter
09.26.2015	Colombia: BanRep increased its monetary policy rate by 25bp to 4.75% (In Spanish)
09.24.2015	Brazil: The BCB's plan is still to keep interest rates unchanged
09.24.2015	Mexico: Banking deposits moderate growth was maintained in July
09.23.2015	Peru: Output growth forecast for 2016 is revised downwards because of a stronger El Niño
09.22.2015	Chile: Probability of error of monetary policy increases (In Spanish)
09.22.2015	Mexico: Monetary pause continues. Banxico keeps an eye on the Fed movements
09.19.2015	Mexico: Banxico will maintain the monetary pause to await the decision of the Fed (In Spanish)
09.19.2015	Mexico: We estimate the monetary rate hike will be postponed until later this year

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