

## LatAm Daily | Industrial output reinforces the negative bias to GDP forecasts in Brazil

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*Faltering demand, cost pressures and uncertainty explained the decline in industrial production, reinforcing the negative bias to our GDP forecast for 2015. Banxico's inflation report maintains growth and inflation forecasts almost unchanged compared to the previous quarter. Today, data for Imacec in Chile and inflation in Colombia will be released.*

### Brazil - Industrial production contracted 1.3% MoM in September

The downward adjustment in industrial output continued in September, explained by faltering demand, cost pressures (to some extent due to the exchange rate depreciation and the adjustment in regulated prices such as energy tariffs) and abnormally high uncertainty. More precisely, industrial production dropped 1.3% MoM in the period (BBVAe: -0.8% MoM; consensus: -1.5% MoM). Taking into account the industrial production declines in August and July, the contraction in 3Q15 was equal to 3.1%, larger than that recorded in 2Q15 (-2.6%). Yesterday's figures reinforce the negative bias to our 3Q15 GDP growth forecast (-0.5% QoQ) and thus to our GDP growth forecast for 2015 (-2.5%).

### Mexico - Banxico set the expected midpoint growth for 2015 at 2.2% (2.1% last quarter)

In its quarterly inflation report Banxico stated that inflation, which has reached historic lows as a reflection of the bank's monetary stance, the weak economic growth and the fall in input prices (energy, raw materials, telecommunication services), and is expected to remain below 3% in the remainder of 2015 and close to 3% in 2016. The adjustment in relative prices related to higher depreciation has been reflected in prices of durable goods. Banxico stressed that inflation expectations remain well-anchored. The central bank reduced the range of its expected GDP growth range for 2015 from (1.7-2.5%) to (1.9-2.4%). It maintained its forecast range for 2016 (2.5 -3.5%), and for 2017 on (3-4%). It anticipates that the output gap will remain negative over the forecast horizon (including 2017). The risks to this scenario, on the external side include: delays to the US recovery, a bigger drop in prices and/or oil production, and further deterioration in financial markets. On the domestic side, the risks include: further deterioration in confidence and slower growth in the automotive industry.

## What to watch today

### Chile - Monthly economic activity index (September, 07:30hrs NYT)

We expect the Imacec to have grown around 2.2% YoY in September (near +0.6% MoM SA). The figure should be driven by positive contributions from retail sales and manufacturing but partially offset by the declines in mining output.

### Colombia - October inflation (19:00hrs NYT)

Food should once again be the main factor pushing up consumer prices. Thus, we are expecting a monthly variation of 0.4% (consensus: 0.4%), which would leave the annual variation at 5.6%.

## Calendar indicators

	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Brazil</b>						
FGV CPI IPC-S	3-Nov	Oct	0.68%		0.76%	0.67%
Trade Balance Monthly	3-Nov	Oct	1232.5		1996	\$2944m
Industrial Production MoM	4-Nov	Sep	-1.50%	-0.80%	-1.30%	-1.20%
FGV Inflation IGP-DI MoM	6-Nov	Oct	1.61%			1.42%
IBGE Inflation IPCA MoM	6-Nov	Oct	0.79%	0.70%		0.54%
Vehicle Production Anfavea	6-Nov	Oct				174240
<b>Chile</b>						
Economic Activity YoY	5-Nov	Sep	2.20%	2.20%		1.10%
Economic Activity MoM	5-Nov	Sep	0.50%	0.60%		-1.00%
Nominal Wage MoM	5-Nov	Sep				0.00%
CPI MoM	6-Nov	Oct	0.30%	0.20%		0.50%
CPI YoY	6-Nov	Oct	3.90%	3.80%		4.60%
CPI Ex Food and Energy MoM	6-Nov	Oct	0.30%	0.30%		0.50%
<b>Colombia</b>						
Economic Activity Index SA YoY	3-Nov	Aug	3.48%	3.50%	4%	3.70%
Exports FOB	4-Nov	Sep	\$2994	\$3.000	2867.09	\$2809.1
CPI YoY	6-Nov	Oct	5.60%	5.60%		5.35%
CPI MoM	6-Nov	Oct	0.40%	0.40%		0.72%
CPI Core YoY	6-Nov	Oct				4.58%
CPI Core MoM	6-Nov	Oct				0.49%
<b>Mexico</b>						
IMEF Manufacturing Index SA	2-Nov	Oct	50.15		51.6	50.1
IMEF Non-Manufacturing Index SA	2-Nov	Oct	50.2		50.43	49.3
Vehicle Domestic Sales AMIA	2-Nov	Oct			119867	111330
Remittances Total	3-Nov	Sep	\$2150		2060	\$2266.4m
Gross Fixed Investment	4-Nov	Aug	3.80%		2.90%	4.60%
Mexican Central Bank Releases Inflation Report	4-Nov					
Consumer Confidence Index	6-Nov	Oct	90.1			90.6
Vehicle Production AMIA	6-Nov	Oct				278781

Fuente: BBVA Research

## Most recent Latam reports

Date	Description
11.03.2015	<a href="#">Mexico: Credit to the private sector: grew 13.3% in September</a>
11.03.2015	<a href="#">Mexico: Remittances grow 4.8% in September, with a flow of USD2,060mn (In Spanish)</a>
11.03.2015	<a href="#">Peru: Inflation goes down in October but we expect this to be only transitory</a>
11.03.2015	<a href="#">Colombia: BanRep increased the repo rate 50bp up to 5.25%</a>
10.29.2015	<a href="#">Brazil: COPOM: the plan is still to leave interest rates unchanged</a>
10.29.2015	<a href="#">Peru: In the third quarter, exports would have recorded its worst drop since 2009</a>
10.29.2015	<a href="#">Mexico: Monetary pause continues. More relaxed tone result of lower economic activity</a>
10.29.2015	<a href="#">Chile: September IMACEC would be 2% YoY (In Spanish)</a>
10.28.2015	<a href="#">Mexico: The chances of a monetary rate hike in December increases</a>
10.27.2015	<a href="#">Mexico: The banking mortgage financing grows 16% for the third consecutive month</a>
10.26.2015	<a href="#">Mexico: In August the annual growth rate of the IGAE was 2.8%, higher than July (2.2%)</a>
10.26.2015	<a href="#">Mexico: We estimate that the economy will have grown around 2.4% annually in Aug.</a>
10.26.2015	<a href="#">Chile: October CPI projected to be 0.24% MoM (3.8% YoY) (In Spanish)</a>

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