

Latam Daily Flash

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Economic Analysis

Madrid

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We now expect the Latam region to grow 2.3% and 2.5% in 2014 and 2015, respectively, marked by China's slowdown

Yesterday we released our *Latam Economic Outlook 2Q14* ([available in Spanish](#)), where we revise downwards the growth forecasts for the region from 2.6% to 2.3% in 2014 and from 2.7% to 2.5% in 2015, marked by China's slowdown, lower commodity prices and the tapering of the Fed. However, we continue to see strong heterogeneity among countries and the Pacific Alliance as a whole will grow close to 4% in both years, more than double the rates in Mercosur. Fiscal outlook has worsened for the region due to the slowdown in domestic demand, but deficits remain, in general, manageable.

Chile - Traders expect a pause in policy rates at today's meeting

The trader's survey for the first half of May came out with inflation estimates for May at around +0.3% MoM (BBVAe: +0.2% MoM). The results also revealed expectations of a pause at 4.0% in the policy rate at today's meeting according to 78% of the respondents (in line with our view). Yet, 57% of the respondents expect a 25bp cut to 3.75% on a three-month horizon. Long-term inflation expectations remained well-anchored to the central bank's target of 3%. Lastly, traders forecast the currency to reach USDCLP 560 on a 3-month horizon, which will represent a mild depreciation.

Colombia - Consumer confidence moves higher in April

Consumer confidence stood at 17.9 in April (in a range between -100 and 100), slightly above March's level (17.5). However, their outlook for the next year declined, breaking its upward trend of the two previous months. In contrast, consumers assessed current business more favorably than in March, reflecting a higher willingness to buy durable goods and an improved labor market. All in all, consumer optimism supports our base scenario which anticipates consumption and GDP reaching their fastest pace on the first half of 2014.

Colombia - Industrial production and retail sales stronger than expected

In March, industrial production grew 9.8% YoY, mainly explained by a working days' effect. However, once the production is adjusted by the seasonal effect, processed food and beverages, leather and footwear sectors show a notably increase. On the contrary, oil derivatives had a poor performance due to environmental restrictions and supply shocks in distribution of oil. Meanwhile, retail sales reached a 24-month high of 8.3% YoY, with a strong contribution of car sales and other durable goods. These results imply an upward bias in our outlook in non-residential private investment and private consumption for the first half of 2014.

What to watch today

Brazil - Retail sales (March, 8:00hrs NYT)

We expect retail sales to lose momentum after having grown 0.4% MoM and 0.2% MoM in January and February, respectively, and to remain unchanged (0.0% MoM) in March. We expect the broad retail index to drop sharply for the second month in a row, following the slowdown in vehicles sales. All in all, retail sales data should paint a picture of continued moderation in private consumption following the partial exhaustion of labor and credit markets as well as the impact of higher inflation, tighter monetary conditions and declining confidence.

Chile - Monetary policy meeting (May, 18:00hrs NYT)

We expect the monetary policy rate to remain steady (at 4.0%) at today's meeting. In our view, this option will prevail in the Board arguments, taking into account the the recent upward surprises in inflation figures. In this context, monetary policy decisions in the coming months will remain data-dependent, although we believe that further monetary stimulus will be needed during the rest of the year.

Peru - GDP (March, 12:00hrs NYT)

We estimate GDP grew 5.4% YoY in March, a somewhat slower pace than the previous month (5.7% in February), driven by supply factors that slowed the expansion of mining and construction. As opposed to the mining and construction slowdown, benefited by the effect of two additional working days in comparison to the same month last year (due to the Easter holidays), the manufacturing and trade and services sectors boosted economic activity.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	12 May	May	0.49%	--	0.45%	0.57%
Formal Job Creation Total	15 May	Apr	144764	--	--	13117
FGV Inflation IGP-10 MoM	15 May	May	0.29%	--	--	1.19%
Retail Sales MoM	15 May	Mar	0.0%	0.0%	--	0.2%
FGV CPI IPC-S	16 May	May	0.80%	--	--	0.84%
Economic Activity MoM	16 May	Mar	0.00%	-0.20%	--	0.24%
Chile						
Overnight Rate Target	15 May	May	4.00%	4.00%	--	4.00%
Colombia						
Exports FOB	12 May	Mar	\$4541,0	\$4500	\$4407,9	\$4271.4
Consumer Confidence Index	14 May	Apr	20.5	22.0	17.9	17.5
Retail Sales YoY	14 May	Mar	6.2%	6.8%	8.3%	6.7%
Industrial Production YoY	14 May	Mar	8.9%	7.3%	9.8%	2.8%
Mexico						
Industrial Production YoY	12 May	Mar	3.0%	1.84%	3.43%	0.5%
Industrial Production MoM	12 May	Mar	0.3%	0.93%	-0.13%	0.3%
ANTAD Same-Store Sales YoY	12 May	Apr	1.5%	-0.6%	2.4%	-2.4%
Peru						
Economic Activity YoY	15 May	Mar	5.9%	--	--	5.7%
Unemployment Rate	15 May	Apr	6.4%	--	--	6.9%

Most recent Latam reports

Date	Description
14-05-2014	➤ Latam Economic Outlook: Second Quarter 2014 (in Spanish)
14-05-2014	➤ Latin America: the shadow of China (presentation in Spanish)
13-05-2014	➤ Chile Economic Watch: Fiscal policy: more expansive than expected
13-05-2014	➤ Mexico Economic Watch: Secondary legislation on energy will boost oil revenues if the private sector decidedly becomes involved (in Spanish)
13-05-2014	➤ Mexico Banking Flash: Credit to the private sector: the first quarter closed with 8.5% growth
13-05-2014	➤ Mexico Banking Flash: Bank Deposits strengthen driven by demand deposits (in Spanish)
12-05-2014	➤ Mexico Banking Flash: Credit to the private sector ended the first quarter with growth of 8.5% (in Spanish)
12-05-2014	➤ Mexico Flash: There are signs that economic activity has started to improve
09-05-2014	➤ Mexico Flash: There are signs that suggest that economic activity has started to improve (in Spanish)
09-05-2014	➤ Mexico Economic Watch: Mexican manufacturing exports gained competitiveness in 2002-2012

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