

Latam Daily Flash

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Economic Analysis

Madrid

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In our view, further stimulus is needed for the rest of the year given recent activity figures. GDP in Peru was below market expectations, partially due to temporary supply factors. Retail sales in Brazil were lower than expected, pointing to a moderation in consumption in 1Q14.

Chile - Central bank continues to wait for the appropriate moment to cut policy rates

As expected by both ourselves and consensus, the central bank kept the monetary policy rate at 4%. In our view, this option prevailed in the board's decision due to the recent upward surprises in inflation figures, although it was nonetheless evaluated as a transitory phenomenon. In this context, monetary policy decisions will remain data-dependent in the coming months, although we consider that further monetary stimulus are necessary for the rest of the year (BBVAe: 3.25% at 2014 eop) to warrant medium-term inflation figures at 3% YoY. The latter was reinforced by the maintenance of the dovish bias in yesterday's communiqué. In this regard, further cuts in policy rate will materialise when inflation starts to ease (see our [Chile Flash](#) in Spanish for details).

Peru - GDP growth came weaker than expected in March

GDP grew 4.9% YoY in March, below market expectations (BBVAe: 5.4%, Consensus: 5.9%) and the previous month's result (5.4% in February), despite the favorable statistical effect of two additional working days. This result is linked to both temporary supply factors that affected primary sectors, as well as a lower than expected momentum of commerce and services, which reflected greater caution in private spending during the first quarter. While we expect the April result to remain low (mainly due to a negative statistical effect), available indicators anticipate that the figures will tend to be more favorable in the following months. Given this context, we expect the central bank to maintain the monetary pause, although the acceleration in the slowdown has increased the likelihood of a cut in the benchmark rate (see our [Peru Flash](#) in Spanish for more details).

Brazil - Retail sales suggest private consumption decelerated in the first quarter

The core retail sales indicator declined 0.5% MoM in March, frustrating expectations of stability in the period (BBVAe: 0.0%; consensus: 0.0%). The broad indicator decline more sharply, 1.2% MoM, due to a contraction in both vehicles and construction material sales (which are not included in the core indicator). However, the drop revealed by the broad indicators was smaller than expected. Both indicators show a sharp moderation in the first quarter: core sales expanded 0.3%QoQ in 1Q14 in comparison to 1.1%QoQ in 4Q13; broad sales declined 0.2% QoQ in 1Q14 in comparison to 1.2% QoQ growth in the previous quarter. They suggest that the moderation in private consumption in 1Q14 could have been stronger than we are incorporating in our 0.5% QoQ 1Q14 GDP forecast, which reinforces the downward bias to our forecast.

What to watch today

Brazil - Economic activity index (March, 7:30hrs NYT)

Yesterday's retail sales data reinforce our view that economic activity lost momentum in March. Accordingly, we expect the March IBC-Br indicator to decline 0.2% MoM, erasing part of the gains recorded at the beginning of the year (2.3% MoM in January and 0.2% MoM in February).

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	12 May	May	0.49%	--	0.45%	0.57%
FGV Inflation IGP-10 MoM	15 May	May	0.29%	--	0.13%	1.19%
Retail Sales MoM	15 May	Mar	0.0%	0.0%	-0.5%	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%	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%	6.80%	8.3%	6.7%
Industrial Production YoY	14 May	Mar	8.9%	7.3%	9.78%	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%	--	4.91%	5.7%
Unemployment Rate	15 May	Apr	6.4%	--	6.3%	6.9%

Most recent Latam reports

Date	Description
15-05-2014	➤ Mexico Real Estate Flash: At the end of the first quarter, banks' mortgages grow 18.7% (in Spanish)
15-05-2014	➤ Chile Flash: Central Bank continues to wait for the appropriate moment to cut policy rates
15-05-2014	➤ Peru Flash: March GDP came weaker than expected
15-05-2014	➤ Mexico Banking Flash: Bank deposits: getting stronger, driven by demand deposits
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)

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