

# Latam Daily Flash

## 19 April 2013 Economic Analysis

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*The trade surplus increased in Colombia and declined in Peru in February. These moves are in line with the moderation in economic activity in the former, and with the robustness of domestic demand in the latter. In Mexico, private job-creation increased below our expectations, reflecting some moderation in the construction industry and in the manufacturing sector. The week will end with today's release of preliminary figures for April inflation in Brazil, which should help markets assess the intensity of the monetary tightening cycle started this week by the BCB, more labor data in Mexico and retail sales and industrial production indicators in Colombia.*

## Colombia - Lower imports allow higher trade surplus in February

Imports fell 0.7% YoY explained by lower purchases of durable consumption goods, raw materials and capital goods for industrial use. This performance is in line with the sluggish performance of demand for durable goods and private investment in 1Q13, reinforcing our downward bias for GDP in the period. The trade surplus reached USD386mn (vs. a deficit of USD164mn. in January), despite the bottlenecks in coal extraction during that month. We anticipate a smaller trade surplus over the coming months, in line with the recovery of household consumption and mining investment in 2Q13e.

## Peru - Trade balance continued to trend downwards in February

At 0.8% of GDP, the YoY trade surplus in February was 0.5pp below the previous record (1.3% in January). The result is due to a 20.9% YoY fall in nominal exports in that month, while imports increased 11.0%, which is consistent with dynamic domestic demand. We expect this downward trend to exert some pressure on the current account deficit (3.6% of GDP in 2012).

## Peru - Government issued sovereign bonds at historically low rates

The government issued sovereign bonds for almost PEN1.2bn (approximately USD456mn), intended to replace dollar-denominated public debt and thereby mitigate currency risk to public finances. The treasury placed 10-year bonds at 3.99%, lower than at the previous auction (4.2% in February), and also below the monetary policy reference rate (4.25%). It also placed 29-year bonds at 4.98%. This result reflects investor appetite for local assets.

## Mexico - Slowest rate of increase in formal private job-creation since September 2009

Mexico's formal private employment increased 0.1% MoM in March (3.8% YoY), significantly below our expectations (0.3% MoM) and the slowest pace since September 2009. Particularly negative was job-creation in the construction industry (-1.2% MoM), reflecting the production slowdown in the sector, while in our view the employment growth in manufacturing (0.1% MoM) is a sign of the expected moderation in that sector, mainly related to lower external demand.

## What to watch today

### Brazil - IPCA-15 (April, 08:00hrs NYT)

The IPCA-15 for April, which measures inflation from mid-March to mid-April, is expected to decline in monthly terms (to 0.43% MoM from 0.49% MoM in March and 0.68% MoM in February). Markets will focus on IPCA-15 figures to calibrate their expectations regarding the magnitude and the length of the monetary tightening cycle that started this week.

### Mexico - Job indicators (March, 09:00hrs NYT)

Job data for March will provide further information on the possible negative effect manufacturing may have on economic output, with the release of numbers for those registered with Social Security (IMSS) and unemployment and underemployment indicators. We expect job-creation to come in around 0.3% higher than in February, and the unemployment rate to continue around 4.8% of the EAP.

### Colombia - Retail sales and industrial production (February, 17:00 hrs NYT)

Energy demand in February anticipates a negative industrial performance. We expect a drop of 4.5% YoY in industrial production (vs. -1.7% in January). Retail sales should grow 2.8% YoY (vs. 1.3% a month ago) driven by the Easter holidays.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
CAGED Formal Job Creation	17-Apr	Mar	110000	--	112450	123446
FGV Inflation IGP-10 (MoM)	16-Apr	Apr	0.35%	--	0.18%	0.22%
FGV CPI IPC-S	16-Apr	Apr 15	0.66%	--	0.65%	0.71%
FIPE CPI - Weekly	17-Apr	Apr 15	0.01%	--	0.08%	-0.11%
SELIC Target - Central Bank	17-Apr	Apr 17	7.50%	7.50%	7.50%	7.25%
IBGE CPI IPCA-15 (MoM)	19-Apr	Apr	0.46%	0.43%	--	0.49%
<b>Colombia</b>						
Outstanding Loans	17-Apr	Feb	--	--	\$248.16B	\$248.2B
Trade Balance	18-Apr	Feb	\$204.5	\$556	\$386.4	-\$213.3
Retail Sales (YoY)	19-Apr	Feb	1.35%	2.80%	--	1.30%
Industrial Production (YoY)	19-Apr	Feb	-2.85%	-4.50%	--	-1.70%
<b>Mexico</b>						
ANTAD Same-Store Sales (YoY%)	15-Apr	Mar	--	--	5.90%	0.20%
Unemployment Rate	19-Apr	Mar	4.67%	4.80%	--	4.85%
<b>Peru</b>						
Unemployment	15-Apr	Mar	6.60%	--	6.40%	6.40%
Economic Activity Indx YoY NSA	15-Apr	Feb	5.90%	5.00%	4.98%	6.20%

## Most recent Latam reports

Date	Description
18-04-2013	<a href="#">➤ Brazil Flash: Monetary conditions are tightened to prevent inflation from running out of control</a>
16-04-2013	<a href="#">➤ Mexico Real Estate Flash: A helping hand for the housing industry</a>
11-04-2013	<a href="#">➤ Peru Flash: Output kept expanding at a strong pace in February</a>
11-04-2013	<a href="#">➤ Mexico Real Estate Flash: Construction activity a step back</a>
11-04-2013	<a href="#">➤ Flash Chile: Central Bank keeps interest rate at 5% and its neutral tone</a>
11-04-2013	<a href="#">➤ Flash Peru: No surprises in April monetary policy meeting</a>
10-04-2013	<a href="#">➤ Brazil Flash: Inflation breaches target ceiling in March</a>
10-04-2013	<a href="#">➤ Mexico Real Estate Flash: New drop in construction production</a>
10-04-2013	<a href="#">➤ Mexico Real Estate Flash: The hand that rocks the cradle in the mortgage market</a>
10-04-2013	<a href="#">➤ Mexico Banking Flash: Lending to private sector: double-digit growth persist</a>

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