

Latam Daily Flash

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Economic Analysis

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March activity data released on Tuesday in Chile showed that domestic demand remains strong and that a significant and permanent deceleration in activity should not be taken for granted yet. In Colombia, the unemployment rate remained practically unchanged in March. In Peru, April inflation was in line with expectations, and within the target range (where we expect it to remain going forward). Today we await remittances data and the IMEF manufacturing index in Mexico. We expect both indicators to show some deceleration in comparison to previous readings.

Chile – Supply and demand decoupling continues in March

Manufacturing production decreased 3% YoY in March, surprising to the downside, while mining production grew 6.9% YoY. Meanwhile, retail sales increased 10.2% YoY supported by an unemployment rate that remained at 6.2% in March. In this context, supply and demand decoupling continues, feeding domestic inflationary pressures in the medium term. All in all, recent activity data does not suggest that a significant or permanent slowdown is in the offing. Finally, in view of our inflation forecast of -0.2% MoM for April, we expect the central bank to keep the monetary policy rate at 5% in the medium term (see our Chile Flash for details).

Colombia – Urban unemployment remained stable at 11.1% s.a.

Urban unemployment dropped to 11.6% (vs. 12.3% in February), although seasonally-adjusted remained relatively stable at 11.1%, increasing by 0.1 pp. On an annual basis, unemployment rose by 0.6pp vs. the same month in 2012. The annual increase was explained by the fall in employment (-1.2 pp YoY), exceeding the reduction in the participation rate (-0.9pp YoY). Both annual reductions are in part explained by a base effect, as March 2012 saw the highest employment and participation rates since 2002. Nonetheless, we think these prints need to be borne in mind for the next few months in case the negative trend continues.

Mexico – Sound fiscal data in the first quarter

In the first quarter of 2013, the total public surplus reached 40.2 billion pesos (24 billion pesos above expectations). Meanwhile, central government's primary surplus reached 80.5 billion pesos. This result was driven by a sharp decline in public expenditures (-10.4% YoY), which more than offset the decline in real terms of budget revenues (-0.4% YoY), to a large extent due to the sharp decline in oil-related revenues (-9.0% YoY), partially offset by an increase in tax revenues (4.1% YoY).

Brazil – Fiscal policy remains committed to supporting growth

Fiscal data released on Tuesday supported the perception that fiscal policy continues aimed at backing economic growth and that the goal of reducing the public debt and meeting fiscal targets is now secondary. In the first quarter of 2013, the total public deficit increased 143% and reached BRL32bn (2.79% of GDP) driven by a sharp decline in the central government's primary surplus (which is a consequence of a sharp moderation in fiscal revenues, to a large extent due to incentives introduced in recent months, and relatively robust expenditures). Recent figures suggest that our fiscal forecasts for 2013 (primary surplus: 2.1% of GDP; total deficit: 2.3% of GDP) are somewhat optimistic.

Peru - Inflation remains within the target range in April

Consumer prices rose 0.25% MoM, lower than expected (BBVAe: 0.35%; Consensus: 0.35%) The monthly figure reflected the increase in food prices that were offset by a more intense decrease in transportation costs. Thus, YoY inflation declined to 2,3% from 2.6% in March and remained within the target range (2%, +/- 1pp), reinforcing our expectation that the Central Bank will keep the policy rate on hold throughout 2013.

What to watch today

Mexico - Remittances (March, 10:00hrs NYT)

We expect remittance flows to Mexico in March to decelerate to USD1,790mn, and thus to decline YoY for the ninth consecutive month since July 2012.

Mexico - IMEF Manufacturing Index (April, 10:00hrs NYT)

We expect producer confidence to show somewhat less strength and decelerate to 55.7 (from 55.9 in March) at the start of the second quarter. Note that industrial output has slowed significantly since mid-2012. Nonetheless, the trend in producer confidence has improved ,mainly due to optimism on outlook-related indicators such as the right time to invest and the future economic situation.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Nominal Budget Balance	30-Apr	Mar	--	--	--	-23.3B
Commodity Price Index (MoM)	01-08 May	Apr	--	--	--	-1.82%
FGV CPI IPC-S	02-May	Apr	0.46%	--	--	0.54%
Trade Balance (Mln) - Monthly	02-May	Apr	-\$950M	-\$800M	--	\$164M
Vehicle Sales (Fenabrave)	02-03 May	Apr	--	--	--	283934
FIPE CPI - Monthly	03-May	Apr	0.24%	--	--	-0.17%
Industrial Production sa (MoM)	03-May	Mar	1.3%	1.5%	--	-2.5%
PMI Services	03-May	Apr	--	--	--	50.3
Chile						
Manufacturing Index	30-Apr	Mar	0.2%	-0,08%	--	0.9%
Retail Sales (YoY)	30-Apr	Mar	8.45%	7,8%	--	7.4%
Copper Production Total	30-Apr	Mar	--	408927	--	420207
Unemployment Rate	30-Apr	Mar	6.3%	6,4%	--	6.2%
Colombia						
Urban Unemployment Rate	30-Apr	Mar	11.4%	11,4%	--	12.3%
Producer Price Index (MoM)	03-May	Apr	--	--	--	0.37%
Consumer Price Index (MoM)	04-May	Apr	0.18%	0,15%	--	0.21%
Mexico						
Budget Balance (Year to date)	30-Apr	Mar	--	--	--	53.80B
Remittances (USD)	02-May	Mar	1940M	--	--	1590.0M
IMEF Manufacturing Index NSA	02-May	Apr	52.00	51.8	--	51.3
Peru						
Consumer Price Index (MoM)	01-May	Apr	0,35%	0,35%	--	0.91%
Wholesale Prices (MoM)	01-May	Apr	--	--	--	0.28%

Most recent Latam reports

Date	Description
30-04-2013	➤ Mexico Migration Flash: In March, another sharp drop in remittances to Mexico
26-04-2013	➤ Mexico Flash: Results of the National Financial Inclusion Survey
26-04-2013	➤ Flash Colombia: BanRep kept policy rate unchanged at 3.25% in line with consensus, and revised upwards FY13 GDP growth to 4.3%
26-04-2013	➤ Flash Chile: Central Bank kept its neutral stance before preliminary slowdown
26-04-2013	➤ Banxico Flash: Banxico: Getting ready to pull the trigger if necessary
25-04-2013	➤ Brazil Flash: COPOM: "vigilant" and focused on 2014
22-04-2013	➤ Mexico Inflation Flash: April's biweekly CPI: Headline inflation soars driven by persistent supply shocks, while core remains near 3%
22-04-2013	➤ Mexico Flash: Banco de México: Inflation hike anchors the monetary policy rate
22-04-2013	➤ Mexico Economic Watch: Room for accumulating reserves in view of the strength of the exchange rate
22-04-2013	➤ Mexico Real Estate Flash: Let's not lose sight of the forest...
18-04-2013	➤ Brazil Flash: Monetary conditions are tightened to prevent inflation from running out of control

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