

Latam Daily Flash

13 May 2013
Economic Analysis

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Industrial production in Mexico came out well-below expectations, which adds to evidence of a soft patch in 1Q13. Meanwhile, in Peru, business confidence retreated slightly but remained in the optimistic zone and is expected to rebound in the coming months. In Colombia, the monetary policy minutes revealed the drivers behind BanRep's 1Q13 GDP growth forecast. Meanwhile, in Chile economists expect no changes in policy rates at next week's central bank meeting. Today will be a quiet day in Latam, with no important events or releases scheduled.

Mexico - Industrial production below expectations

Industrial production fell 0.3% in March, well below our expectations (+0.6% MoM). It should be noted that the two largest elements, construction and manufacturing, reported positive growth rates (0.8% MoM and 0.2% MoM, respectively). However, mining and electricity, that together represent 20% of industry, fell by 2.1% and 0.8% MoM, respectively.

Colombia - Monetary policy meeting minutes reveal the drivers of 1Q13 growth forecast

The central bank published the minutes of April's meeting. Regarding 1Q13 activity, the minutes revealed the drivers behind BanRep's 1Q13 GDP growth forecast (2.8% YoY), including the weak consumption confidence levels and sluggish exports after the temporary coal shock, partially offset by strong capital goods investment observed in January and February. The minutes reiterated that despite the current sluggish economic performance, BanRep expects GDP to strengthen over the course of the year after the interest rate cuts and the counter-cyclical programmes announced by the government. The latter message is in line with our call, suggesting that no further rate cuts should be needed for an economic rebound starting in 2Q13.

Peru - Business confidence fell five points in April but remained in the optimistic zone

Business confidence stood at 60 points in April. The reduction is linked to the fall in the price of minerals, which account for over 50% of Peruvian exports and, additionally, to political uncertainty regarding the composition of the presidential cabinet. Once these doubts are dispelled, we expect confidence to recover in the coming months.

Peru - Trade balance still trending downwards in March

The annualized trade balance recorded a surplus equivalent to 0.9% of GDP in March, below the previous print (1.2% in February). The result is due to a 16.2% YoY fall in nominal exports, mitigated by a 3.2% reduction in imports. In the coming months, we expect a gradual recovery in the trade balance, once the temporary factors that have been affecting exports begin to dissipate.

Peru - VAT revenues increased 6.9% YoY in April

This reflects the behavior of domestic demand, which has been supporting GDP growth so far this year. We expect this trend to continue in the coming months, in line with the anticipated strength of private and public spending.

Chile - Central bank survey does not anticipate changes in the monetary policy rate at next week's meeting

The central bank's economic expectations survey revealed a growth forecast for the monthly economic activity index of 4.8% YoY in April (BBVAe: 5.3% YoY) and inflation at 0.1% MoM in May (BBVAe: 0.0% MoM). Analysts do not expect any changes in the monetary policy rate for the whole survey horizon, while long-term inflation expectations remain well-anchored to the bank's target.

What to watch today

No major indicators expected today

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Economic Activity Indx MoM SA	13-15 May	Mar	0,65%	0.80%	--	-0.52%
CAGED Formal Job Creation	14-21 May	Apr	210000	--	--	112450
Retail Sales (MoM)	15-May	Mar	-0,5%	0%	--	-0.4%
FGV Inflation IGP-10 (MoM)	16-May	May	-0,05%	--	--	0.18%
FGV CPI IPC-S	16-May	2-may	0,39%	--	--	0.45%
FIPE CPI - Weekly	17-May	2-may	0,32%	--	--	0.31%
Chile						
Nominal Overnight Rate Target	17-May	2-may	5.00%	5.00%	--	5.00%
Colombia						
Consumer Confidence	13-17 May	Apr	14.5	18	--	--
Outstanding Loans (YoY)	14-21 May	Mar	--	--	--	--
Retail Sales (YoY)	17-May	Mar	-0.05%	0.90%	--	0.6%
Industrial Production (YoY)	17-May	Mar	-2.5%	-5.90%	--	-4.5%
Mexico						
ANTAD Same-Store Sales (YoY%)	15-May	Apr	3%	--	--	5.9%
GDP (YoY)	17-May	1Q	1,1%	2.20%	--	3.2%
Global Economic Indicator IGAE	17-May	Mar	-0,7	2.30%	--	0.39%
Peru						
Unemployment	15-May	Apr	6,1%	--	--	6.4%
Economic Activity Indx YoY NSA	15-May	Mar	4,65%	4.20%	--	5.0%

Most recent Latam reports

Date	Description
9-05-2103	➤ Mexico Flash: April's inflation: Headline Inflation Peaks as Core Inflation Falls Again Below 3%
9-05-2103	➤ Peru Flash: The Central Bank keeps a neutral bias for the policy rate
9-05-2103	➤ Chile Economic Outlook (in Spanish) - Second quarter, 2013
9-05-2103	➤ Peru Economic Outlook (in Spanish) - Second quarter, 2013
9-05-2103	➤ Colombia Economic Outlook (in Spanish) - Second quarter, 2013
8-05-2103	➤ Brazil Flash: In spite of an upward surprise in April, inflation is (temporarily) back to within the target range
8-05-2103	➤ Flash Chile: Monthly inflation reached -0.5% in April, well below both our and market expectations
8-05-2103	➤ Banxico Flash: Despite supply shocks and recent moderation of economic activity, Banxico keeps unchanged its inflation and economic growth forecasts
7-05-2103	➤ MexicoReal Estate Flash: Second month of the year, second decline in construction
6-05-2103	➤ Mexico Banking Flash: Lending to private sector: double-digit growth persists

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