

# Latam Daily Flash

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**Economic Analysis**

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*Economic activity in Brazil expanded 0.7% in March, suggesting that GDP grew 1% in 1Q13. Meanwhile, consumer confidence increased in Chile, while the central bank left rates unchanged, as expected. Today all eyes will be on Mexico, where we expect 1Q13 GDP growth to confirm a soft patch in the quarter. In Colombia, industrial production and retail sales in March will provide a good gauge of the slowdown in the first quarter.*

## **Brazil - Economic activity expanded 0.7% MoM in March**

According to the IBC-Br, the central bank's activity index which acts as a monthly proxy for the GDP, economic activity grew 0.7% MoM in March, slightly below our call of 0.8% MoM. The expansion follows a drop of 0.4% MoM in February and an expansion of 1.0% MoM in January. Overall, the index suggests that the economy grew 1.0% QoQ in the first quarter of the year, supported by a significant rebound in investment and in spite of some moderation in private consumption.

## **Chile - Central bank held interest rate at 5% overshadowing dovish market positions**

The central bank kept interest rates at 5% and maintained its neutral tone at its meeting yesterday. On the external front, the bank highlighted the improvement in global financial conditions, although it remains concerned about a recession in Europe. On the domestic front, the bank states that activity and domestic demand for 1Q13 slowed in the context of a tight labour market. Finally, while noting that the various measures of annual inflation are close to 1%, long-term expectations remain around the 3% target. All in all, we think the absence of bias in the communiqué and the fact that the bank did not highlight the existence of transitory elements behind the falling prices during April, could be interpreted as that the bank is "behind the curve", reducing inflation expectations implicit in asset prices and generating a slight appreciation of the CLP.

## **Chile - Consumer confidence increased in May**

For the eleventh consecutive month, the consumer confidence index remained in the optimistic range, reaching 59.2 in May (March: 56.8). The increase was due to a more optimistic assessment of the current personal situation, mainly as a reflection of lower inflation during the month. Also, measures of future conditions in twelve months' time showed a recovery from the March print. All in all, the deceleration of aggregate activity during 1Q13 did not have an effect on consumer optimism, preventing a much-needed moderation in domestic demand.

## **Colombia - Building permits remained strong in 1Q13**

Building permits remained strong in March, growing at 30.8% YoY due to an improved dynamic in Bogotá's residential and non-residential sector and a low statistical base a year ago. Across the country, housing licences (39.6% YoY) grew faster than other commercial permits (8.3% YoY). In contrast, in Bogotá, non-housing licences increased at a faster pace. Licensing in 1Q13 anticipates a strong performance for construction at the end of the year, in line with our outlook.

## What to watch today

### Mexico - 1Q 13 GDP (9:00 NYT)

We expect real GDP growth to come in above market expectations (0.1%) at 0.3% QoQ sa (2.2% YoY sa). Growth in the service sector should stand out, coming in around 2.8% YoY, compared to manufacturing growth of around 1%. We still expect the economy to grow at a faster rate after the slow patch in 1Q13, but the softer trend in recent US manufacturing surveys has already translated into a broad-based drop in activity in April. Thus, in our view the slowing US industrial activity is already tilting 2Q 13 growth risks in Mexico to the downside.

### Colombia - Industrial production and retail sales (March, 17:00 hrs NYT)

We expect industrial production to drop by 5.9% YoY, in line with the slowdown in energy demand and as a consequence of three fewer business days less compared to a year ago. Retail sales should increase by 0.9% YoY, limited by a contraction in vehicles sales.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
Economic Activity Indx MoM SA	16-May	Mar	0,65%	0.80%	0.72%	-0.52%
CAGED Formal Job Creation	17-21 May	Apr	215000	--	--	112450
Retail Sales (MoM)	15-May	Mar	-0,5%	--	-0,1%	-0,4%
FGV Inflation IGP-10 (MoM)	16-May	May	-0,05%	--	-0,09%	0,18%
FGV CPI IPC-S	16-May	2-May	0,39%	--	0,38%	0,45%
FIPE CPI - Weekly	17-May	2-May	0,32%	--	0,21%	0,31%
<b>Chile</b>						
Nominal Overnight Rate Target	17-May	2-May	5,00%	5,00%	--	5,00%
<b>Colombia</b>						
Consumer Confidence	14-May	Apr	14,5	18	23,7	--
Outstanding Loans (YoY)	17-21 May	Mar	--	--	--	--
Retail Sales (YoY)	17-May	Mar	-0,01%	0,90%	--	0,6%
Industrial Production (YoY)	17-May	Mar	-3,5%	-5,90%	--	-4,5%
<b>Mexico</b>						
ANTAD Same-Store Sales (YoY%)	15-May	Apr	3%	--	-3,2%	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%
<b>Peru</b>						
Unemployment	15-May	Apr	6,1%	--	5,6%	6,4%
Economic Activity Indx YoY NSA	15-May	Mar	4,55%	4,20%	3,01%	5,0%

## Most recent Latam reports

Date	Description
15-05-2013	<a href="#">➤ Falsh Peru: Output surprises on the downside in March</a>
15-05-2013	<a href="#">➤ Mexico Real Estate Flash: Activity in the construction sector declined in the first quarter</a>
9-05-2103	<a href="#">➤ Mexico Flash: April's inflation: Headline Inflation Peaks as Core Inflation Falls Again Below 3%</a>
9-05-2103	<a href="#">➤ Peru Flash: The Central Bank keeps a neutral bias for the policy rate</a>
9-05-2103	<a href="#">➤ Chile Economic Outlook (in Spanish) - Second quarter, 2013</a>
9-05-2103	<a href="#">➤ Peru Economic Outlook (in Spanish) - Second quarter, 2013</a>
9-05-2103	<a href="#">➤ Colombia Economic Outlook (in Spanish) - Second quarter, 2013</a>
8-05-2103	<a href="#">➤ Brazil Flash: In spite of an upward surprise in April, inflation is (temporarily) back to within the target range</a>
8-05-2103	<a href="#">➤ Flash Chile: Monthly inflation reached -0.5% in April, well below both our and market expectations</a>
8-05-2103	<a href="#">➤ Banxico Flash: Despite supply shocks and recent moderation of economic activity, Banxico keeps unchanged its inflation and economic growth forecasts</a>

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