

# Latam Daily Flash

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Economic Analysis

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*In Peru, first-quarter growth moderated to 4.8% YoY (almost 1pp lower than 4Q12) but April indicators suggest that a rebound is likely as statistical effects reverse. In part as a reaction to the slowdown, the government announced measures to boost investment and corporate confidence. In Brazil credit growth remains stable, according to April figures, despite robust expansion by public banks. Meanwhile, the current account deficit in Mexico was larger than we expected but, at the same time, FDI flows recovered. Today will be a relatively quiet day in Latam, with only trade numbers in Mexico, expected to show a small deficit in April.*

## Peru - President Humala announced measures to boost investment

The measures include the creation of an executive group to support the biggest investment projects and other measures aimed at reducing bureaucratic procedures. In our view, by adopting these measures, the government is sending the markets an important signal which should have a positive impact on business confidence.

## Peru - Output growth moderates to 4.8% YoY in 1Q13

The slowdown (from 5.9% in 4Q12) to some extent reflects negative statistical effects such as the leap year in 2012 and fewer working days, but also the weakness of exports (-10% YoY). Available indicators for early 2Q13 show a strong rebound in economic activity as the statistical effect reverses. Going forward, we expect a more positive performance from export volumes in the rest of the year as, for example, new mines begin to replace the old ones that are being closed, which should push up metal exports. Hence, we foresee stronger output growth prints in of the second half of 2013.

## Brazil - Credit growth remains stable around 16% YoY

Credit expanded by 16.4% YoY in April, according to the data released by the BCB on Friday. This is practically the same pace recorded since the end of 2012, i.e. a clear moderation compared with the rates observed in the last few years and in spite of the robust expansion in credit at public banks (which grew by 29.1% YoY in April). Even though the current pace of credit growth should be welcomed (as it is more in line with sustainable rates in the long term), it provides less support to domestic demand than in the past. Non-performing loans remained stable at 3.6%, slightly below the 2012 average (3.8%).

## Mexico -Larger than expected current account deficit but FDI inflows improve somewhat as portfolio inflows remain strong

Mexico recorded a larger than expected current account deficit of USD5,532mn in 1Q13 (-1.8% of 1Q13 nominal GDP). This is the result of deficits in the balance of goods and services (USD3,433mn) and revenues (USD7,005mn), and a surplus on the balance of transfers (USD4,906mn). FDI recovered from the weakness seen in the previous quarters and portfolio investment inflows continued strong, especially for public-sector bonds.

## What to watch today

### Mexico - Trade balance (April, 09:00hrs NYT)

We expect a small deficit of USD341mn in April compared with the USD1,714mn surplus in March. We think that April exports were dragged down by weaker industrial production in the US, lower oil prices and the slowdown in auto exports to the US. Thus, we expect exports of USD30,500mn (+1.5% YoY) and relatively stable imports at around USD31,000mn (+1.7% YoY).

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
FIPE CPI - Weekly	27 May	May	0.22%	--	0.18%	0.21%
FGV Construction Costs (MoM)	27 May	May	0.86%	--	--	0.84%
Manufacturing PPI (YoY)	28 May	Apr	--	--	--	6.64%
FGV Inflation IGP-M (MoM)	29 May	May	0.02%	--	--	0.15%
FGV Inflation IGP-M (YoY)	29 May	May	6.24%	--	--	7.30%
GDP (IBGE) QoQ	29 May	1Q	0.9%	1.1%	--	0.60%
SELIC Target - Central Bank	29 May	May	7.75%	8%	--	7.50%
Central Govt Budget	30 May	Apr	10.8B	--	--	0.3B
Primary Budget Balance	31 May	Apr	13.2B	--	--	3.5B
<b>Chile</b>						
Manufacturing Index	30 May	Apr	2.2%	2.2%	--	-3.00%
Retail Sales (YoY)	30 May	Apr	10.2%	10.4%	--	10.20%
Copper Production Total	30 May	Apr	--	471655	--	483780
Unemployment Rate	31 May	Apr	6.3%	6.3%	--	6.20%
<b>Colombia</b>						
Urban Unemployment Rate	31 May	Apr	11.4%	11.4%	--	11.60%
Overnight Lending Rate	31 May	May	3.25%	3.25%	--	3.25%
<b>Mexico</b>						
Trade Balance	27 May	Apr P	190M	--	--	1706.0M
Budget Balance (Year to date)	30 May	Apr	--	--	--	40.20B
Net Outstanding Loans	31 May	Apr	--	--	--	2306B
<b>Peru</b>						
Consumer Price Index (MoM)	01 Jun	May	--	--	--	0.25%
Wholesale Prices (MoM)	01 Jun	May	--	--	--	0.05%

## Most recent Latam reports

<b>Date</b>	<b>Description</b>
23-05-2013	<a href="#">➤ Mexico Inflation Flash: May's biweekly inflation: annual inflation remains close to 4.7% as non-core shocks prove more resilient than expected</a>
22-05-2013	<a href="#">➤ Mexico Banking Watch</a>
22-05-2013	<a href="#">➤ Paraguay Economic Outlook</a>
21-05-2013	<a href="#">➤ Mexico Banking Flash: Strategies and lines of action to democratize access to finance for projects offering potential to increase Mexico's economic growth under the 2013-2018 National Development Plan (PND)</a>
21-05-2013	<a href="#">➤ Brazil Economic Outlook. Second Quarter 2013</a>
17-05-2013	<a href="#">➤ Peru Economic Outlook Second Quarter 2013</a>
17-05-2013	<a href="#">➤ Mexico GDP Flash: Slightly higher than estimated, GDP grew 0.5% q/q in 1Q13. This is, however, the lowest annual growth since 2009</a>
16-05-2013	<a href="#">➤ Chile Flash: Central Bank kept interest rate at 5% overshadowing dovish market positions</a>
15-05-2013	<a href="#">➤ Peru Flash: 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>

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