

Latam Daily Flash

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Economic Analysis

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In Peru, although the external deficit widened in 1Q (temporarily, in our view) the central bank sees growth in 2013 at around 6%, with stable interest rates throughout this year, in line with our projections. In Colombia, both industrial and commercial confidence indicators improved in April, although they still point to a slow recovery of manufacturing. Meanwhile, in Mexico the April trade deficit was bigger than expected, due to soft non-oil exports. Today no significant indicators are scheduled for publication in the region.

Peru - The central bank President sees policy rate steady at 4.25%

Expressing a more optimistic view about economic activity after the government launched a set of measures aimed at boosting investment, President Velarde said he expects output to grow by somewhat more than 6% in 2013 (and inflation to be around 2%). In this context, the central bank is working with a policy rate steady at 4.25%. The president said that this naturally has a downward bias, given the relatively low GDP print in 1Q13 (4.8%YoY), but that the bank would need to see a large negative output gap driving down inflation in order to cut the reference rate. This is coherent with our call for a stable policy rate throughout 2013.

Peru - The current account deficit widens in 1Q13 to 5.6% of GDP

This basically reflects the weakness of export volumes due to various supply factors. We expect these factors to ease during the rest of the year as, for example, new mines come into operation and replace those that have closed down, pushing up metal exports. Note that long-term net foreign capital inflows into private-sector assets reached 11.7% of GDP, the highest quarterly print in almost 17 years and more than twice the size of the current account deficit.

Colombia - Industrial and trade confidence increased in April

Industrial confidence rebounded in April to -1.3 (vs. -6.2 in March), but failed to reach the optimistic zone (above zero). The recovery was explained by a better assessment of the current economic situation, reduced inventories and increased orders. Meanwhile, trade confidence rose for the second month in a row to 15.5 in April (vs. 14.9 in March), with better sales numbers and order volumes. The rebound in industrial confidence was in line with our expectations of a slow and gradual recovery in manufacturing in 2Q13. Trade confidence numbers confirmed that private consumption remains the principal contributor to growth.

Mexico - Decline in exports point to a soft start to 2Q13

In April, Mexico recorded a larger than expected trade deficit of USD900mn in seasonally-adjusted terms (sa). This print was driven by a 2.2% MoM decline in exports explained by a sharp drop in non-oil exports (-3.8% MoM sa) which was somewhat offset by a 8.5% MoM sa increase in oil exports. The softness in non-oil exports was broad-based, as both auto exports and non-auto manufacturing exports showed large monthly declines of 3.8% and 4.2%, respectively..

What to watch today

No significant indicators are scheduled for publication today

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	27 May	May	0.22%	--	0.18%	0.21%
FGV Construction Costs (MoM)	27 May	May	0.86%	--	1.24%	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
Chile						
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%
Colombia						
Urban Unemployment Rate	31 May	Apr	11.4%	11.4%	--	11.60%
Overnight Lending Rate	31 May	May	3.25%	3.25%	--	3.25%
Mexico						
Trade Balance	27 May	Apr P	190M	--	-1225M	1706.0M
Budget Balance (Year to date)	30 May	Apr	--	--	--	40.20B
Net Outstanding Loans	31 May	Apr	--	--	--	2306B
Peru						
Consumer Price Index (MoM)	01 Jun	May	--	--	--	0.25%
Wholesale Prices (MoM)	01 Jun	May	--	--	--	0.05%

Most recent Latam reports

Date	Description
23-05-2013	➤ Mexico Inflation Flash: May's biweekly inflation: annual inflation remains close to 4.7% as non-core shocks prove more resilient than expected
22-05-2013	➤ Mexico Banking Watch
22-05-2013	➤ Paraguay Economic Outlook
21-05-2013	➤ 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)
21-05-2013	➤ Brazil Economic Outlook. Second Quarter 2013
17-05-2013	➤ Peru Economic Outlook Second Quarter 2013
17-05-2013	➤ Mexico GDP Flash: Slightly higher than estimated, GDP grew 0.5% q/q in 1Q13. This is, however, the lowest annual growth since 2009
16-05-2013	➤ Chile Flash: Central Bank kept interest rate at 5% overshadowing dovish market positions
15-05-2013	➤ Peru Flash: Output surprises on the downside in March
15-05-2013	➤ Mexico Real Estate Flash: Activity in the construction sector declined in the first quarter

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