

# Latam Daily Flash

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**Economic Analysis**

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*Yesterday was a light day in terms of economic news, with just the publication of the figure for public investment in Peru in April. We expect the strong rebound to continue to fuel domestic demand. Today all eyes will be on Brazil where, apart from 1Q GDP numbers (expected to show growth of 1.1% QoQ), we expect the central bank to continue tightening the Selic rate, this time by 50bp.*

## Peru - Public investment grew 55% YoY in April in real terms

This figure anticipates a rebound in aggregate output in April, following the deceleration in the first quarter. According to our estimates, public spending (current and investment) added more than 5pp to output expansion last month and we expect it to continue driving GDP growth for the rest of the year.

## What to watch today

### Brazil - GDP (1Q13, 08:00hrs NYT)

We expect GDP to have grown 1.1% QoQ during the first quarter, driven by the resilience of private consumption and the rebound in investment. If growth is above 0.8% QoQ, it will be the strongest quarterly GDP growth since President Dilma came into power in January 2011.

### Brazil - Monetary policy decision (announcement time: unspecified)

At some point after the domestic markets close today, we expect the BCB to follow up the recent sharpening of its tone against inflation and announce a 50bp adjustment of the Selic rate up to 8.0%. However, we would not rule out a 25bp adjustment as uncertainties persist, particularly regarding the external environment. In our view, a 25bp hike will not be enough to put an end to the recent upward trend in inflation expectations (both for 2013 and 2014).

## 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	--	--	5.48%	6.64%
FGV Inflation IGP-M (MoM)	29 May	May	0.03%	--	--	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	13.45B	--	--	3.5B
<b>Chile</b>						
Manufacturing Index	30 May	Apr	2.5%	2.2%	--	-3.00%
Retail Sales (YoY)	30 May	Apr	10%	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	--	-1225M	1706.0M
Budget Balance (Year to date)	30 May	Apr	--	--	--	40.20B
Net Outstanding Loans	31 May	Apr	2325B	--	--	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

Date	Description
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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