

Latam Daily Flash

31 May 2013 Economic Analysis

Madrid

Juan Ruiz

Chief Economist, South America
juan.ruiz@bbva.com
+34 913745887

Enestor dos Santos

Senior Economist, Latam
enestor.dossantos@bbva.com
+34 639827211

With contributions from the BBVA
Research Latam Team:

Lima

Hugo Perea

Chief Economist, Peru
hugo.perea@bbva.com
+51 1 2112042

Bogota

Juana Tellez

Chief Economist, Colombia
juana.tellez@bbva.com
+571 3471600

Santiago

Jorge Selaive

Chief Economist, Chile
jselaive@bbva.com
+56 2 2939 10 92

Mexico City

Carlos Serrano

Chief Economist, Mexico
carlos.serrano@bbva.com
+ 5255 5621 4354

Javier Amador

Principal Economist
javier.amador@bbva.com
+ 5255 5621 3095

In Chile, industrial production recovered and retail sales registered strong growth in April, leading us to forecast a GDP growth of around 4% YoY in 2Q13. Meanwhile, in Mexico, the budget numbers reflected a fiscal surplus up to April as a result of a sharp reduction in public expenditure. Today all eyes will be on Colombia's monetary policy meeting, where we do not expect any changes in interest rates and an extension of USD purchases by the central bank. Also today unemployment numbers will be released in Chile and Colombia, where we expect a slight increase in the former and a mild drop in the latter.

Chile - Industrial production recovered while retail sales registered strong growth in April

Manufacturing production increased by 3.4% YoY in April (vs. BBVAe 2.2%), positively impacted by two additional working-days in the month. Mining production decreased by 0.7% YoY after a strong performance in previous months. On the other hand, retail sales continued their previous trend and expanded 11.2% YoY (vs. BBVAe 10.4%). Overall, we forecast the Imacec to have increased 5.1% YoY in April and a GDP expansion around 4% YoY for 2Q13, putting a downward bias in our baseline scenario for activity (see our [Chile Flash](#) for details).

Mexico - Fiscal surplus up to April as a result of a significant reduction in public expenditures

Up to April 2013, the budget balance recorded a surplus of 39.8 billion pesos. As expected, revenues reflected a slowing trend: they increased only slightly in real terms (0.3% YoY) due to a 1.3% YoY increase in tax revenues which was offset by a 7.7% YoY decline in oil revenues driven by lower crude oil export prices and the appreciation of the MXN. Meanwhile, public expenditures fell by 7.0% in real terms vs. the same period of last year. We expect the current contraction to be reversed in the second half of the year, although given the consolidation approved in the budget, in our opinion we will only probably see only a moderate growth.

What to watch today

Chile - Unemployment rate (April, 9:00hrs, NYT)

We expect the unemployment rate to reach 6.3% in April, a slight increase compared to previous print (6.2%), confirming a still tight labour market. The expected increase is based on employment growth of 1.2% YoY and a labour force expansion of around 1% YoY.

Colombia - Monetary policy meeting (announcement time: unspecified)

We expect that BanRep will keep its policy rate at 3.25%, in line with the latest policy minutes and the statements from several board members. Despite the recent COP weakening, we expect that BanRep will announce the extension of its USD purchase program, with a scope for purchasing a maximum of USD3bn for the rest of the year.

Colombia - Urban unemployment rate (April, 12:00 hrs NYT)

We expect urban unemployment to drop to 11.4% (vs. 11.6% in March), remaining stable on a seasonally-adjusted basis at 11.2%, with job creation figures maintaining the slow pace observed in March.

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%	--	0.00%	0.15%
FGV Inflation IGP-M (YoY)	29 May	May	6.24%	--	6.22%	7.30%
GDP (IBGE) QoQ	29 May	1Q	0.9%	1.1%	0.6%	0.60%
SELIC Target - Central Bank	29 May	May	7.75%	8.00%	8.00%	7.50%
Central Govt Budget	30 May	Apr	10.8B	--	7.2B	0.3B
Primary Budget Balance	31 May	Apr	13.45B	--	--	3.5B
Chile						
Manufacturing Index	30 May	Apr	2.5%	2.2%	3.40%	-3.00%
Retail Sales (YoY)	30 May	Apr	10%	10.4%	11.20%	10.20%
Copper Production Total	30 May	Apr	--	471655	441668	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	--	--	39.82B	40.20B
Net Outstanding Loans	31 May	Apr	2325B	--	--	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
30-05-2013	➤ Flash Chile: Imacec will reach 5,1% yoy in April, and activity will expand between
29-05-2013	➤ Brazil Flash: COPOM focuses on inflation and increases the pace of monetary tightening
29-05-2013	➤ Brazil Flash: Growth surprises to the downside in 1Q13, due to a sharp slowdown in consumption
29-05-2013	➤ Uruguay Economic Outlook; First Half 2013
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

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