

# Latam Daily Flash

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Economic Analysis

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*On Friday, BanRep kept policy rates unchanged, as expected, but it also extended its programme to purchase USD. Also in Colombia, the unemployment rate in April came in lower than expected, in contrast with Chile, where unemployment rose slightly, in line with expectations and marking the beginning of a possible upward trend in the months to come. Meanwhile, in Peru, inflation rose slightly but remained within the target range and consumer confidence remained in the optimistic zone. Today markets will mostly focus on the central bank minutes in Chile, looking for clues about the bank assessment of the recent slowdown.*

## Colombia - BanRep maintained its policy rate unchanged and extended the USD purchase programme until September

The tone of the statement was more optimistic than last month, highlighting the release of several leading indicators that suggest a more dynamic growth in 2Q13, while reiterating that the current monetary stance will help the economy return to its potential growth. BanRep also decided to continue with its USD purchase programme, committing to purchase at least USD 2.5bn between June and September, representing a slower pace than between February and May. We maintain our call for stability for the remainder of the year, anticipating the first rate hike in April 2014e (see our [Colombia Flash](#) for details).

## Colombia - Urban unemployment stood below expectations at 10.7%

April unemployment rate reached 10.7%, 0.7 pp below our expectations (11.4%). The positive number was explained by unexpected employment growth of 1.9% YoY, in line with other 2Q13 activity leading indicators but in contrast to March when it fell by -0.4% YoY.

## Chile - Unemployment rate increased to 6.4% in April

The unemployment rate reached 6.35% in April, above our expectation of 6.30% and 0.15pp above the March print. Employment increased 0.3% QoQ, mainly driven by commerce and construction but offset by seasonal job destruction in agriculture and hotels. Manufacturing employment also showed a decline. All in all, we expect further increases in the unemployment rate during the next few months due to seasonal factors but also driven by job losses in manufacturing and construction.

## Peru - Annual inflation rose in May, but remained within the target range

Consumer prices increased 0.19% MoM in May (BBVA and Consensus:0.15%), reflecting a lift in food prices that was mostly offset by a fall in electricity tariffs. With this result, YoY inflation rose from 2.3% in April to 2.5% last month, remaining within the target range (2%, +/- 1pp), which reinforces our expectation that the central bank will keep the policy rate on hold throughout 2013e.

## Peru - Consumer confidence remained in the optimist zone in May

The print for May was 54 points, the same as in April. However, there were changes in its composition, as the last reading reflected an increase in the optimism of high-income families, while confidence fell slightly for low-incomes families. This result is linked to a different assessment on the ease of finding employment and a slowdown in certain segments of consumer credit.

## What to watch today

### Chile - CB Minutes of monetary policy meeting (May, 8:30 hrs, NYT)

Overall, we expect the minutes to reveal the central bank's neutral stance justifying the maintenance of the monetary policy rate in May's meeting. Nonetheless, the Board might highlight some concerns about the domestic slowdown (unevenly distributed and investment-driven) that might affect monetary policy decisions in the coming months. This implies a downward bias to our baseline scenario of a stable policy rate this year.

### Mexico - Remittances (April, 10:00 hrs NYT)

We expect remittance flows to Mexico in April to decline to USD 1598mn and thus for the annual rate to decline for the tenth consecutive month since July 2012.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
FGV CPI IPC-S	03 Jun	May	0.35%	--	--	0.40%
PMI Manufacturing	03 Jun	May	--	--	--	50.8
Trade Balance (Mln) - Monthly	03 Jun	May	\$1800M	--	--	-\$994M
Industrial Production sa (MoM)	04 Jun	Apr	1%	1%	--	0.7%
FIPE CPI - Monthly	05 Jun	May	0.2%	--	--	0.28%
PMI Services	05 Jun	May	--	--	--	51.3
Commodity Price Index (MoM)	05-12 Jun	May	--	--	--	-1.93%
FGV Inflation IGP-DI	06 Jun	May	0.18%	--	--	-0.06%
COPOM Monetary Policy Meeting Minutes	06 Jun	May	--	--	--	--
Vehicle Sales (Anfavea)	06 Jun	May	--	--	--	333738
IBGE Inflation IPCA (MoM)	07 Jun	May	0.38%	0.38%	--	0.55%
<b>Chile</b>						
Central Bank Meeting Minutes	03 Jun	May	--	--	--	--
Economic Activity Indx YoY NSA	06 Jun	Apr	4.95%	5.1%	--	3.1%
CPI (MoM)	07 Jun	May	0.1%	0.1%	--	-0.5%
Trade Balance in US\$ Million	07 Jun	May	\$500	\$565.1	--	\$447.0
<b>Colombia</b>						
Producer Price Index (MoM)	04 Jun	May	--	--	--	-0.32%
Consumer Price Index (MoM)	06 Jun	May	0.25%	0.26%	--	0.25%
Exports FOB - US\$ million	06 Jun	Apr	--	\$4835	--	\$4567.1
Vehicle Sales	07-14 Jun	May	--	--	--	--
<b>Mexico</b>						
Remittances (USD)	03 Jun	Apr	1868	--	--	1783.6M
IMEF Manufacturing Index NSA	03 Jun	May	51.30	--	--	51.8
Consumer Confidence	04 Jun	May	95.8	98.3	--	95.7
Gross Fixed Investment	06 Jun	Mar	-4.5%	--	--	0.5%
Consumer Prices (MoM)	07 Jun	May	-0.3	--	--	0.07%
Overnight Rate	07 Jun	2-jun	4.00%	--	--	4.00%

## Most recent Latam reports

Date	Description
31-05-2013	<a href="#">➤ Flash Colombia: BanRep kept policy rate unchanged at 3.25% and extends USD purchase program until September</a>
31-05-2013	<a href="#">➤ Mexico Migration Flash: Would had Remittances fallen again in April?</a>
30-05-2013	<a href="#">➤ Flash Chile: Imacec will reach 5,1% yoy in April, and activity will expand between</a>
29-05-2013	<a href="#">➤ Brazil Flash: COPOM focuses on inflation and increases the pace of monetary tightening</a>
29-05-2013	<a href="#">➤ Brazil Flash: Growth surprises to the downside in 1Q13, due to a sharp slowdown in consumption</a>
29-05-2013	<a href="#">➤ Uruguay Economic Outlook; First Half 2013</a>
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>

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