

# Latam Daily Flash

14 June 2013  
**Economic Analysis**

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*There were no major surprises yesterday in terms of policy rates in Peru and Chile as both CBs kept their rates unchanged. Nevertheless, in Chile, the Central Bank sent a more dovish message in its communiqué. Thus, even though we are not changing our call for stable rates in 2013, we reinforce our downward bias in the case of Chile. Meanwhile, lower than expected retail sales in Brazil were another sign of how inflation is impacting private consumption. Today we are awaiting April's GDP numbers in Peru, in order to see if the anticipated strong rebound is confirmed, and the monetary policy minutes in Colombia, although we do not expect any major changes in the CB's monetary stance.*

## **Chile - Monetary easing will only be materialized if we see further slowdown in private consumption**

The Central Bank kept both policy rate at 5% and its neutral bias, as we expected. The monetary authority emphasized more restrictive financial conditions in emerging economies, concerns about a recession in Europe and lower expected growth in China. Regarding domestic issues, unlike the previous communiqué and in line with our diagnosis, the Central Bank mentioned that the slowdown is concentrated in investment, while private consumption still remains strong. Finally, it was noted that various measures of inflation are close to 1% YoY, while long-term expectations remain well-anchored. Even though risks of a rate cut remain present, stability of monetary conditions for the time being and the need for further evidence of private consumption deceleration should still give a temporary backing to the Chilean peso (CLP).

## **Peru - Unsurprisingly, the Central Bank remains on hold**

The policy rate in June was kept at 4.25%. The press release accompanying the decision was pretty much the same as the last one and emphasized the subdued pace of price increases and economic activity growing around potential. The Central Bank seems comfortable with the current level of the policy rate and hence we maintain our call for it remaining at 4.25% in the coming months (see our [Peru Flash](#)).

## **Brazil - Lower than expected retail sales growth in April**

Retail sales increased by 0.5% MoM in April, significantly less than expected (BBVA: 1.5% MoM; consensus: 1.2% MoM). The contraction in supermarket sales (-0.6% MoM) is one of the main drivers of this negative surprise. This decline suggests that high inflation is continuing to hit private consumption. The broad index increased by 1.9% MoM, driven by vehicles and construction material sales (not included in the core index). All in all, retail figures support the view that inflation is harming private consumption and that growth remains dependent on sectors that are currently benefiting from fiscal incentives (such as vehicles and construction). They also downplay expectations of relatively robust growth at the beginning of the second quarter.

## What to watch today

### **Brazil - Economic activity index (April, 07:30 hrs NYT)**

The economic activity index, IBC-Br, is expected to show that the economy grew 0.6% MoM in April (0.7% MoM in March). The dynamism at the beginning of 2Q13 which we expect to be revealed by the IBC-Br, opens the way for a slightly higher GDP growth in this quarter in comparison to 1Q13. Anyway, we expect activity to moderate in May.

**Peru - GDP growth (April, 12:00 hrs NYT)**

We expect GDP to have increased by 7.5%YoY in April (consensus: 7.1%). This would be partially explained by a higher number of working days in the month, in contrast to what happened in March. Excluding this positive effect, we believe the underlying trend of economic activity remains robust.

**Colombia - Monetary policy minutes (May; 14:00 hrs NYT)**

The minutes should reveal the insights behind the discussion of continuing with the USD purchase programme, and the likelihood of extending the programme beyond September. It should also reveal the board members' view of the anticipated ending of QE3 and its impact on USDCOP. We do not expect any major news regarding near-term changes in the monetary stance.

**Calendar: Indicators**

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
IGP-M Inflation 1st Preview	10 Jun	Jun	0.25%	--	0.43%	0.03%
FGV CPI IPC-S	10 Jun	2-jun	0.36%	--	0.48%	0.32%
CNI Capacity Utilization (SA)	10 Jun	Apr	82.30	--	82.2%	82.2%
FIPE CPI - Weekly	11 Jun	2-jun	0.16%	--	0.13%	0.18%
Retail Sales (MoM)	13 Jun	Apr	1.2%	1.5%	0.5%	-0.1%
FGV Inflation IGP-10 (MoM)	14 Jun	Jun	0.45%	--	--	-0.09%
Economic Activity Indx MoM SA	14 Jun	Apr	0.85%	0.60%	--	0.72%
CAGED Formal Job Creation	14-21 Jun	May	155000	--	--	196913
Tax Collections	15-22 Jun	May	--	--	--	98713M
<b>Chile</b>						
Central Bank's Economist Survey	11 Jun	Jun	--	--	--	--
Central Bank's Traders Survey	12 Jun	Jun	--	--	--	--
Nominal Overnight Rate Target	14 Jun	2-jun	5.00%	5.00%	5.00%	5.00%
<b>Colombia</b>						
Colombia Monetary Policy Minutes	14 Jun	Jun	--	--	--	--
Outstanding Loans	14-21 Jun	Apr	--	--	--	\$253.0B
<b>Mexico</b>						
Trade Balance	10 Jun	Apr F	--	--	-1226.9M	-1225.0M
Industrial Production (YoY)	11 Jun	Apr	5.3%	0.8%	3.3%	-4.9%
<b>Peru</b>						
Trade Balance (INEI)	11 Jun	Apr	-\$382M	--	-\$378.4M	\$302M
Reference Rate	14 Jun	Jun	4.25%	4.25%	4.25%	4.25%
Economic Activity Indx YoY NSA	14 Jun	Apr	6.9%	--	--	3.0%
Unemployment	15 Jun	May	--	--	--	5.6%

## Most recent Latam reports

Date	Description
13-06-2013	<a href="#">➤ Flash Peru: Unsurprisingly, the policy rate remains at 4,25%</a>
11-06-2013	<a href="#">➤ Mexico Real Estate Flash: Some oxygen for the construction sector</a>
11-06-2013	<a href="#">➤ Flash Colombia: It was confirmed the leadership of infrastructure in GDP growth in 2013</a>
10-06-2013	<a href="#">➤ Mexico Real Estate Flash: Construction in energy, ahead on its own</a>
10-06-2013	<a href="#">➤ Mexico Flash: Industrial production, with sharp drop in April. Confirms and amplifies the negative trend</a>
7-06-2013	<a href="#">➤ Brazil Flash: Inflation: stable around the target ceiling for now, but moving up soon</a>
7-06-2013	<a href="#">➤ Flash Chile: CPI had no variation in May but it may increase 0.5% MoM in June</a>
7-06-2013	<a href="#">➤ Mexico Inflation Flash: Inflation in May: Supply Shocks Within Non Core Inflation Prevents Headline Inflation from Falling</a>
7-06-2013	<a href="#">➤ Mexico Flash: A more dovish tone strengthens the rate cut perspectives, once inflation is below 4.0%</a>
7-06-2013	<a href="#">➤ Mexico Banking Flash: Private sector credit: continues double-digit growth</a>

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