

Latam Daily Flash

21 June 2013 Economic Analysis

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GDP growth in Colombia in 1Q13 came out broadly as expected, revealing a deceleration due to weak manufacturing and supply shocks in mining, but we think that today's April indicators could confirm a possible upturn in manufacturing in 2Q13. In Brazil, the labor market continued to lose steam, with a slight rise in unemployment and more moderate real wage growth, fuelling the recent wave of protests. Meanwhile, soft retail sales in Mexico in April supported our view of continued deceleration in 2Q13. Today markets will focus on inflation figures in Brazil and the Banxico minutes, to gauge the extent to which the central bank considers that monetary conditions have eased.

Colombia - GDP growth of 2.8% YoY for 1Q13 was driven by construction and public spending, in line with our 4.1% for 2013e

GDP grew 2.8% YoY in 1Q13, slightly slower than in 2H12 (3.0%). The numbers confirmed the strength of public spending (8.4%), in terms of both investment and consumption, partly offsetting the decline in private non-residential investment (-3%) and exports (-1.2%). Growth in household consumption of 3.2% was close to the 2012 level. On the supply side, 1Q13 growth was supported by construction and - to a lesser extent - social and financial services. Mining underperformed GDP and industry was also weaker. Our outlook is for weak GDP growth in 1H13e, at about 3.0%, with expansion at an average of 5.4% between July and December. Overall, we expect growth of 4.1% in 2013e (see our [Colombia Flash](#)).

Brazil - Labor market continues to lose steam, which is another factor fuelling the recent wave of protests

The headline unemployment rate remained stable at 5.8% in May, still very close to historical lows. However, the seasonally-adjusted series showed that unemployment increased from 5.4% to 5.5% and real wage growth moderated. This deterioration and high inflation are some of the factors behind both the recent slowdown in private consumption (which we expect to continue) and the decline in Dilma's approval ratings (which, however, remains very high). In our view, these factors are also fuelling the street protests in Brazil in the last week. These protests forced the government to cut public transport fares in some cities, which is expected to drive inflation down by around 0.15bp (approximately 0.05bp in June and 0.10bp in July).

Mexico - Soft retail sales report adds to evidence of continued deceleration in 2Q13

During April, retail sales in Mexico fell 0.8% MoM sa, pointing to continued softness in economic activity at the start of 2Q13 and thus reducing the chances of a significant rebound in the second quarter from the weak GDP growth reading in the first. Besides, the large drop in auto sales in May (-3.8% MoM sa) and the moderate pace of job-creation (0.3% MoM) suggest that next month's figure is unlikely to show a rebound. All in all, the downward bias in our growth forecast for 2013e (3.1%) continues to increase.

What to watch today

Brazil - IPCA-15 (June, 08:00hrs)

Inflation from mid-May to mid-June is expected to have eased in monthly terms (from 0.46% in May to 0.36% MoM), largely due to seasonal factors. However, yearly inflation is expected to move up to 6.65% YoY (from 6.46% YoY), breaching the inflation target ceiling.

Mexico - Banxico's Monetary Policy Minutes (June, 9:00hrs NYT)

Banxico will release the minutes of the monetary policy meeting held on 7 June. The minutes will be useful to better assess the extent to which Banxico is concerned about the ongoing deceleration in economic activity, particularly in a context in which the considerable depreciation of MXN as a consequence of the normalization of the risk premium (due to recent Fed hawkishness) has eased monetary conditions and thus relaxed Mexico's relative monetary policy stance.

Peru - Central bank inflation report (2Q13, 13:00hrs NYT)

We expect the central bank to lower its forecast for GDP growth in 2013 (from 6.3% in the previous report) due to the deceleration in the first quarter, which was mainly related to a temporary fall in exports. On the other hand, we do not anticipate major changes to the bank's inflation forecast for this year (2.0% eop).

Colombia - Industrial production, retail sales (April, 15:00hrs NYT)

We expect growth of 6.4% YoY in industrial production and 0.2% YoY in retail sales. These data would confirm the upturn in manufacturing since the second quarter, but would imply a downward bias in the performance of private consumption.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
CAGED Formal Job Creation	21 Jun	May	155000	--	--	196913
Tax Collections	21 Jun	May	86024.5M	--	--	98713M
FGV CPI IPC-S	17 Jun	2-jun	0.46%	--	0.43%	0.48%
FIPE CPI - Weekly	18 Jun	2-jun	0.18%	--	0.18%	0.13%
IGP-M Inflation 2nd Preview	18 Jun	Jun	0.65%	--	0.74%	0.01%
Unemployment Rate	20 Jun	May	5.8%	5.8%	5.8%	5.8%
IBGE CPI IPCA-15 (MoM)	21 Jun	Jun	0.37%	0.36%	--	0.46%
Current Account - Monthly	21 Jun	May	-\$6400M	--	--	-\$8318M
Colombia						
Outstanding Loans	21 Jun	Apr	--	--	--	\$253.0B
Imports	18-Jun	Apr	--	\$5167M	\$5167M	\$4488M
Trade Balance	18 Jun	Apr	\$129M	\$37M	\$36.8M	\$285.7M
GDP (YoY)	20 Jun	1Q	2.8%	2.3%	2.8%	3.1%
Retail Sales (YoY)	21 Jun	Apr	3.3%	0.2%	--	0.9%
Industrial Production (YoY)	21-Jun	Apr	1.6%	6.4%	--	-11.5%
Mexico						
Aggregate Supply & Demand	19 Jun	1Q	1%	2.8%	1%	3.6%
Retail Sales (INEGI)	20 Jun	Apr	1.2%	-0.1%	2.5%	-2.4%
Central Bank Monetary Policy Minutes	21 Jun	--	--	--	--	--
Peru						
Central Bank Quarterly Inflation Report	21 Jun	--	--	--	--	--

Most recent Latam reports

Date	Description
20-06-2013	➤ Flash Colombia: GDP growth of 2.8% YoY for 1Q13 was driven by construction and public spending, in line with outlook of 4.1% for 2013
17-06-2013	➤ Brazil Flash: Government takes steps toward the normalization of economic policies
14-06-2013	➤ Flash Peru: April GDP and available indicators anticipate strong performance in the second quarter
13-06-2013	➤ Flash Peru: Unsurprisingly, the policy rate remains at 4,25%
11-06-2013	➤ Mexico Real Estate Flash: Some oxygen for the construction sector
11-06-2013	➤ Flash Colombia: It was confirmed the leadership of infrastructure in GDP growth in 2013
10-06-2013	➤ Mexico Real Estate Flash: Construction in energy, ahead on its own
10-06-2013	➤ Mexico Flash: Industrial production, with sharp drop in April. Confirms and amplifies the negative trend
7-06-2013	➤ Brazil Flash: Inflation: stable around the target ceiling for now, but moving up soon
7-06-2013	➤ Flash Chile: CPI had no variation in May but it may increase 0.5% MoM in June

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