

Latam Daily Flash

26 June 2013 Economic Analysis

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In Mexico, economic activity surprised to the downside, reinforcing the risk that GDP grows by less than we are expecting this year. In Brazil, the central bank took another step to unwind capital controls and ease concerns on both exchange rates and inflation. In addition, a report released by the monetary authority showed that the credit market remains relatively stable, providing only partial support to domestic demand. Today, the focus will be on international trade data in Mexico, expected to show a near zero surplus, and on the financial traders survey in Chile, which should reveal expectations of no change in interest rates in the very short term.

Mexico - Economic activity below expectations

The Global Economic Activity Index (IGAE) published yesterday fell 0.8% MoM (+0.5% YoY). Note the drop in component services (-0.6%) related to the decline in both retail sales and services (the latter primarily related to industry). In the light of the April IGAE data, we maintain a downward bias to our 3.1% GDP growth forecast for this year.

Brazil - Another barrier on capital control is eased

The Central Bank of Brazil (BCB) eliminated reserve requirements on short dollar positions held by local banks, amid concerns about the sudden depreciation of the Brazilian real (BRL) and inflation. Even though the BRL has appreciated 2.2% in the last few days, it has depreciated by 10% over the last month, which adds an upward bias to our inflation and Selic forecasts (5.6% and 8.75% respectively by the end of the year). The measure follows the removal of some barriers to foreign capital in the last few weeks.

Brazil - Stable credit market

The credit report released yesterday by the BCB revealed no major changes in the credit market in May compared to previous months: total credit continued to grow at around 16% YoY (public credit by 28% YoY and private credit by 6% YoY), non-performing loans remained unchanged at 3.6% and lending rates continued to be around 18.0%. The latter was somewhat surprising as we expected lending rates to have moved up already following the BCB's monetary tightening started in April. We expect this upward trend to be confirmed by forthcoming data. All in all, the credit market continues to provide only partial support to domestic demand (i.e. positive support, but significantly less than in the past)..

What to watch today

Chile - Central bank Financial Traders Survey (second half of June, 08:30hrs NYT)

We expect the survey to show inflation estimates at around 0.5% MoM for June and expectations of a stable monetary policy rate in the very short term. We also anticipate exchange-rate estimates in the order of CLPUSD510 on a three-month horizon.

Mexico - Trade balance (May, 10:00hrs NYT)

We estimate that in terms of annual growth, both exports and imports fell by around 2.5% and 6.6% YoY, respectively. We expect the balance of trade to have been positive in May, as the higher imports of intermediate goods in April anticipate an upturn in manufacturing exports; in addition, the energy balance should improve due to lower gasoline imports. Altogether, we estimate that the trade balance will remain close to zero, in line with the weak external environment and slack domestic demand.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Consumer Confidence	24 Jun	Jun	--	--	112.9	113.4
FGV CPI IPC-S	24 Jun	2-Jun	0.39%	--	0.37%	0.43%
FIPE CPI - Weekly	25 Jun	2-Jun	0.24%	--	0.3%	0.18%
FGV Construction Costs (MoM)	25 Jun	Jun	2%	--	1.96%	1.24%
Outstanding Loans MoM%	25 Jun	May	--	--	1.5%	1.1%
FGV Inflation IGP-M (MoM)	27 Jun	Jun	0.74%	--	--	0.00%
Manufacturing PPI (YoY)	27 Jun	May	--	--	--	5.48%
Central Govt Budget	27 Jun	May	3.2B	--	--	7.2B
Primary Budget Balance	28 Jun	May	3.8B	--	--	10.3B
Central Bank publishes quarterly inflation report	28-24 Jun	Jun	--	--	--	--
Chile						
Central Bank's Traders Survey	26 Jun	Jun	--	--	--	--
Central Bank Meeting Minutes	28 Jun	Jun	--	--	--	--
Manufacturing Index	28 Jun	May	1.50%	0.3%	--	3.4%
Retail Sales (YoY)	28 Jun	May	10.50%	10.3%	--	11.2%
Copper Production Total	28 Jun	May	--	477903	--	441668
Unemployment Rate	28 Jun	May	6.50%	6.6%	--	6.4%
Colombia						
Industrial Confidence	26-28 Jun	May	--	0%	--	-1.3%
Retail Confidence	26-28 Jun	May	--	17%	--	15.5%
Current Account	26 Jun	1Q	--	-\$4000M	--	-\$3577M
Central Govt Budget	27 Jun	May	--	--	--	\$3107B
Urban Unemployment Rate	28 Jun	May	11%	11%	--	10.7%
Overnight Lending Rate	28 Jun	2-Jun	3.25%	3.25%	--	3.25%
Mexico						
Unemployment Rate	24 Jun	May	4.90%	--	4.93%	5.04%
Bi-Weekly CPI	24 Jun	2-Jun	0.08%	0.08%	-0.05%	0.02%
Global Economic Indicator IGAE	25 Jun	Apr	3.70%	1.8%	4.6%	-1.80%
Trade Balance	26 Jun	May P	177.24M	1654M	--	-1226.9M
Net Outstanding Loans	28 Jun	May	--	--	--	2323B
Budget Balance (Year to date)	28 Jun	May	--	--	--	39.82B

Most recent Latam reports

Date	Description
25-06-2013	➤ Peru Economic Watch: International reserves in Peru: approaching the optimal level
24-06-2013	➤ Mexico Inflation Flash: June's biweekly inflation: Inflation Surprised Downwards Thanks to Lower Than Expected Non Core Inflation
20-06-2013	➤ Mexico Banking Flash: The Financial System Stability Council (CESF): the Mexican financial markets are adjusting in an orderly fashion to an environment of greater international volatility originated by a possible reduction in financial assets by the US Federal Reserve
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

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