

Latam Daily Flash

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Economic Analysis

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In Colombia, confidence data reinforced prospects of a recovery in consumption, but suggested that the recovery in the industrial sector will be gradual. In Mexico, manufacturing exports showed signs of rebounding in May, but the dataflow for 2Q13 has not been encouraging and downside risks to our growth forecasts for both 2Q13 and FY13 have continued to increase. In Brazil, the BCB will release its 2Q13 Inflation Report today, which is expected to reinforce the hawkish tone adopted by the monetary authority lately.

Colombia - Confidence data suggest both that industrial recovery will be slow and a better consumption performance in 2Q13

Industrial confidence in May (-2.4) stood slightly below its level in April (-1.3), completing four months in the pessimistic zone. The industry inventory level was the only factor that improved over the previous month, which could imply an increase in production in the coming months, although tempered by the low levels of orders in the sector. Meanwhile, commercial confidence rose to 18.4, the highest level since January. The improvement is explained by a lower level of inventories, strong positive expectations for the next six months and a stable assessment of the current situation. Confidence in May was the second indicator, after April retail sales, than suggests a sustained recovery in private consumption in 2Q13.

Mexico - Exports show signs of rebounding

In May, Mexico recorded a larger than expected trade deficit of USD1,103mn in seasonally-adjusted terms (sa). However, as we expected, May registered an upturn in manufacturing exports. May's trade deficit print was driven by a slight (0.1%) MoM sa decline in exports explained by a sharp drop in non-oil exports (-20.7% MoM sa) which was almost fully offset by a 3.4% MoM sa increase in oil exports. Compared with April's broad-based softness in non-oil exports, in May both auto exports and non-auto manufacturing exports showed monthly increases of 3.7% and 4.6%, respectively.

Chile - Financial Traders Survey reveals inflation expectations at 0.5% MoM for June

The survey for the second half of June anticipates an inflation rate of 0.5% MoM for current month (BBVAe: 0.6% MoM). Results also show expectations of a stable monetary policy rate in July, but on a 3-month horizon traders anticipate a 25bp cut, closing 2013 at 4.75%. Additionally, expectations are for another 25bp cut on a 12-month horizon. All in all, traders' have migrated to a less dovish perspective for monetary policy in the short term since the previous survey, as we expected. Finally, traders forecast the exchange rate at CLP/USD 515 on a 3-month horizon, weaker than previous forecasts.

Peru - Central bank simplifies arrangements to reserve requirements

The first change is in the base period for calculating reserves in soles and dollars, and the second change is related to the reference period for the effective equity for the calculation of the reserve for international long-term liabilities. The change aims to simplify the calculation of marginal reserve and is neutral in terms of monetary policy.

What to watch today

Brazil - Inflation Report (2Q13, 07:30hrs NYT)

The BCB will explicit its inflation forecasts and its updated balance of risks in an environment characterised, among other things, by a much weaker exchange rate and prospects of the withdrawal of stimuli by the Fed. We expect the report to reinforce the recent hawkish tone adopted by the monetary authority and support the bets for an additional monetary tightening of at least 75bp.

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 Jun	May	--	0	-2.4	-1.3
Retail Confidence	26 Jun	May	--	17	18.4	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	-469.9M	-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	➤ Mexico Banking Flash: The Ministry of Finance (SHCP) has published amendments to the Single Banking Circular ("Circular Única de Bancos", or CUB) to establish new rules for rating the commercial credit portfolio
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

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