

# Latam Daily Flash

## 28 June 2013 Economic Analysis

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*Following a day in which the 2Q13 Inflation Report reinforced the hawkish tone adopted recently by the monetary authorities in Brazil, triggering an upwards adjustment to our Selic forecast and the package of measures to accelerate investment was approved by the Congress in Peru, we will close the week with a busy agenda today. The monetary minutes in Chile and the policy meeting in Colombia are both expected to support our view of rates being left unchanged in those countries, despite a possible dovish tone in the former. In addition, labor market data will be released in both Colombia and Chile and fiscal data will be delivered in Brazil.*

## **Brazil - Central Bank forecasts higher inflation and lower growth; and we expect a higher Selic**

The Central Bank of Brazil (BCB) raised its inflation forecasts (to 6.0% and 5.4% by the end of 2013 and 2014, respectively) and lowered its growth forecasts (to 2.7% in 2013). In addition, the 2Q13 Inflation Report released today revealed that the monetary authority sees an unfavorable balance of risks for inflation and that it expects inflation to continue trending up in the short term. Largely due to the impact of a weaker currency (that was also highlighted by the BCB), and in line with today's report, we now expect the Selic rate to be hiked by an extra 125bp in the coming months, reaching 9.25% in September (for more details, see our [Brazil Flash](#)).

## **Peru - The second package of measures to accelerate investment will have a positive impact on business confidence**

The measures approved by Congress focus on reducing bureaucratic barriers and deadlines for approving licenses needed to execute investment projects, and tax incentives for small businesses. In our view, by adopting these measures, the government is sending the markets an important signal which should have a positive impact on business confidence.

## What to watch today

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

Overall, the minutes should still highlight the concerns about the domestic slowdown that might affect monetary policy decisions in the coming months. Also, they will probably reveal the details of the Board's debate between the maintenance of interest rates and a preventative cut of 25bp as policy options. The latter, has been ruled out due to private consumption dynamism and labour market tightness that maintain the latent inflationary pressures on the monetary policy horizon.

### **Chile - Activity data by sector and unemployment rate (May, 9:00hrs NYT)**

We expect manufacturing production to have grown a meagre 0.3% YoY and retail sales to have surged 10.3% YoY in May. With these prints, we forecast the monthly aggregate activity index (Imacec), that will be released next week, should expand in a range of 3.3% to 3.8% YoY in the period. Finally, we expect the unemployment rate to reach 6.6% in May (vs. 6.4% previously). The increase should be driven by an employment growth of 1.1% YoY and a labour force expansion of around 1% YoY.

### Brazil – Fiscal report (May, 09:30hrs NYT)

Preliminary data shows that the central government benefited in May from abnormally high one-off revenues, which should prevent a larger deterioration in the fiscal accounts. There is high degree of uncertainty regarding the future behavior of fiscal policy given the market pressures (for a tight fiscal policy and to ease inflation fears) and pressures coming from the streets (which could trigger more public expenditures) and the data released today will provide a clearer picture about the current stance.

### Colombia – Urban unemployment rate (May, 12:00 hrs NYT)

We expect urban unemployment to stand at 11%, a similar level on a seasonally-adjusted basis compared to April, which already suggested a degree of internal recovery.

### Colombia – Monetary policy meeting (announcement time: unspecified)

We expect that BanRep will keep its policy rate unchanged at 3.25%, in line with recent policy minutes and the green shoots of local activity. BanRep should also provide its standpoint regarding the recent COP weakening and the steepening of the local sovereign curve, giving insights about the need to extend the current USD purchase-programme beyond September.

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
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%	--	0.75%	0.00%
Manufacturing PPI (YoY)	27 Jun	May	--	--	4.07%	5.48%
Central Govt Budget	27 Jun	May	3.2B	--	6B	7.2B
Primary Budget Balance	28 Jun	May	3.8B	--	--	10.3B
Central Bank publishes quarterly inflation report	28-24 Jun	Jun	--	--	--	--
<b>Chile</b>						
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%
<b>Colombia</b>						
Industrial Confidence	26 Jun	May	--	0	-2.4	-1.3
Retail Confidence	26 Jun	May	--	17	18.4	15.5
Current Account	28-Jun	1Q	--	-\$4000M	--	-\$3577M
Central Govt Budget	28-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%
<b>Mexico</b>						
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
27-06-2013	<a href="#">➤ Brazil Flash: Central Bank expects higher inflation and lower growth; and we expect a higher SELIC</a>
25-06-2013	<a href="#">➤ 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</a>
25-06-2013	<a href="#">➤ Peru Economic Watch: International reserves in Peru: approaching the optimal level</a>
24-06-2013	<a href="#">➤ Mexico Inflation Flash: June's biweekly inflation: Inflation Surprised Downwards Thanks to Lower Than Expected Non Core Inflation</a>
20-06-2013	<a href="#">➤ 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</a>
20-06-2013	<a href="#">➤ 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</a>
17-06-2013	<a href="#">➤ Brazil Flash: Government takes steps toward the normalization of economic policies</a>
14-06-2013	<a href="#">➤ Flash Peru: April GDP and available indicators anticipate strong performance in the second quarter</a>
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>

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