

Latam Daily Flash

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On Friday and over the weekend the latest readings on inflation in the region were published. In Brazil, inflation continued to rise but is expected to have peaked at 6.7% YoY, whereas in Chile and Colombia it also increased, but remained slightly below the central bank target band in Chile and within it in Colombia. Overall, this supports our call for further rate hikes in Brazil and stable rates in Colombia and Chile. Today the main news will be the June trade balance in Chile, which we expect to show a bigger increase in exports than imports..

Brazil - Inflation peaks in June

Inflation continued to trend up and reached 6.70% YoY in June (BBVAe: 6.76%; consensus: 6.78%), the highest figure since the end of 2011 and above the target ceiling of 6.5%. The decline in monthly inflation, from 0.37% MoM in May to 0.20% MoM in June, was driven by seasonal factors: the seasonally adjusted series shows that inflation increased from 0.43% MoM in May to 0.51% MoM. We expect inflation to decelerate gradually over the second half of the year and reach 5.6% YoY in December, favored by positive base effects and the ongoing monetary tightening, which we expect to bring the Selic rate to 9.25% in October (for more details see our [Brazil Flash](#)).

Chile - Economic activity decelerated in May

The monthly activity index expanded 3.5% YoY in May (BBVAe: 3.8% YoY) driven mainly by dynamic retail sales. With this print, there is a high probability that GDP growth for 2Q13 will be below 4.0% YoY, adding a downward bias to our baseline scenario of 5% GDP growth for this year. Although we expect June's activity data to show increases in the order of 3.3% YoY, over the course of 2H13e we expect economic activity to recover towards its potential growth rate of 4.8%.

Chile - CPI increased 0.6% MoM in June, in line with our expectations

CPI inflation for June was in line with our forecast of 0.6% MoM, and confirms our view that transitory elements were behind the YoY figures. In June, inflation reflected the impact of electricity tariffs and gasoline, food and transportation prices leading to an increase of 1.9% YoY. Tradable inflation rose to 1.0% MoM while non-tradable inflation increased only 0.2% MoM. In this context, core measures registered variations between 0.0% and 0.3% MoM. Overall, taking into account recently released activity and price data, we expect no changes in the monetary policy rate in July's meeting.

Colombia - Consumer inflation jumped to 2.16% YoY in June

Inflation stood at 2.16% YoY (BBVAe: 2.14%, consensus: 2.09%), consolidating within the target range. The drivers of the monthly variation (0.23%) were core prices (0.28%), regulated prices (0.50%) and the low base prices of a year ago. COP depreciation resulted a limited pass-through to tradable goods, which increased 0.07% MoM. The annual variation was the largest since November 2012, reducing the probability of inflation once again falling below the target range. We expect inflation to gradually increase over the course of the year, reaching 2.6% by year-end, with no policy reactions from BanRep until it observes that activity is more dynamic.

What to watch today

Chile - Trade balance (June, 8:30 hrs NYT)

We expect a USD1bn surplus on the balance of trade in June, driven by our expectations of exports at USD6.8bn (+1.0% YoY), while imports should reach USD5.8bn (+0.3% YoY). Finally, we forecast copper exports in the order of USD3.8bn (+2.5% YoY).

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	08 Jul	2-Jul	--	--	--	0.35%
CNI Capacity Utilization (SA)	08 Jul	May	--	--	--	83.30%
SELIC Target - Central Bank	10 Jul	2-Jul	8.50%	8.50%	--	8.00%
Retail Sales (MoM)	11 Jul	May	0.00%	0.00%	--	0.50%
Economic Activity Indx MoM SA	12 Jul	May	--	--	--	0.84%
Chile						
Trade Balance in US\$ Million	08 Jul	Jun	\$900	\$1044	--	\$639.0
Central Bank's Traders Survey	10 Jul	Jul	--	--	--	--
Central Bank's Economist Survey	10 Jul	Aug	--	--	--	--
Nominal Overnight Rate Target	12 Jul	2-jul	5.00%	5.00%	--	5.00%
Colombia						
Vehicle Sales	05-10 JUL	Jun	--	--	--	24488
Exports FOB - US\$ million	09 Jul	May	\$5416.6	\$5500	--	\$4949.5
Consumer Confidence Index	10-16 JUL	Jun	22.0	21.8	--	20.1
Colombia Monetary Policy Minutes	12 Jul	1-Jan	--	--	--	--
Mexico						
Vehicle Production (AMIA)	08 Jul	Jun	--	--	--	255474
CPI MoM	09 Jul	Jun	-0.02%	-0.05%	--	-0.33%
Bi-Weekly CPI	09 Jul	2-Jun	0.03%	-0.03%	--	-0.05%
Gross Fixed Investment	10 Jul	Apr	5.60%	--	--	-5.50%
Trade Balance	10 Jul	May	-308.8M	--	--	-469.9M
Industrial Production (YoY)	12 Jul	May	0.50%	-1.20%	--	3.30%
Overnight Rate	12 Jul	2-Jul	4.00%	4.00%	--	4.00%
Peru						
Trade Balance (INEI)	10 Jul	May	-\$250M	--	--	-\$378M
Reference Rate	12 Jul	Jul	4.25%	4.25%	--	4.25%

Most recent Latam reports

Date	Description
05-07-2013	➤ Brazil Flash: Inflation peaks in June
1-07-2013	➤ Mexico Migration Flash: Remittances to Mexico recorded 11 consecutive months with declines
1-07-2013	➤ Flash Peru: Annual inflation kept upward trend in June
28-06-2013	➤ Mexico Real Estate Flash: The rules arrive at last
28-06-2013	➤ Mexico Regional Sectorial Outlook
28-06-2013	➤ Colombia Flash: Central Bank kept policy rate at 3.25% and moderates concerns about local volatility
28-06-2013	➤ Flash Uruguay: Central Bank established a new monetary policy instrument which will have a slight tightening bias
28-06-2013	➤ Mexico Migration Flash: Do remittances recovered last May?
27-06-2013	➤ Brazil Flash: Central Bank expects higher inflation and lower growth; and we expect a higher SELIC
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

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