

Latam Daily Flash

10 July 2013 Economic Analysis

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Inflation in Mexico decreased to just above Banxico's target range in June, a reduction that is likely to continue going forward. In Colombia, exports confirmed a slow recovery in manufacturing. Meanwhile, it was announced that the Peruvian Finance Minister is to remain in office through the traditional end of July cabinet reshuffle, in a bid to prop up business confidence. Today all eyes will be on Brazil's monetary policy meeting: we expect the COPOM to hike rates by 50bp and the communiqué to support expectations of further 50bp increase in August.

Mexico - Headline inflation is almost back within Banxico's target range

Mexico CPI decreased 0.06% MoM in June, in line with our below-consensus forecast (BBVA Bancomer: -0.05%; consensus: -0.02%). With this monthly print, the annual rate of inflation has reached 4.09% YoY (4.63% YoY in May) and is almost back within Banxico's target range (2-4%). Core inflation increased 0.13% MoM, also slightly below the market consensus (0.17% MoM) and our forecast (0.15% MoM). Its annual rate decreased to 2.81% YoY from 2.88% YoY in May. We expect headline inflation to fall within Banxico's target range in July, as other supply shocks within the non-core inflation continue to ease, and as core inflation remains low and stable. We believe we will probably continue to see headline inflation falling throughout 2H13.

Colombia - Exports confirm a slow recovery in manufacturing

Exports fell 2.5% YoY in May, as traditional products (mainly mining) dropped 3% YoY amid lower commodities prices. The deceleration was partially offset by exports of non-mining goods, such as medium and high technology industrial products. For coming months, we expect a sluggish recovery, explained by low commodity prices (mainly coal) and a slow pace in low-tech industrial sectors. In the coming months, we believe exports should maintain a sluggish rate of recovery, due to low commodity prices (coal, mainly) and a low level of activity in some low-tech industrial sectors.

Peru - Finance Minister to remain in office, which could have a positive impact on business confidence

The Prime Minister stated that Luis Castilla will remain as Economy and Finance Minister after the cabinet reshuffle traditionally carried out on 28 July (Independence Day), which reaffirms the government's intention to promote macroeconomic stability. Along with the recent measures to unlock investment, this announcement is intended to attenuate the effect of external shocks on the business environment.

What to watch today

Brazil - Monetary meeting (announcement time: unspecified)

Today the COPOM is widely expected to hike the Selic rate by 50bp to 8.50%. In addition, we expect the accompanying statement to remain unchanged (therefore, stressing the need to get inflation to decline), reinforcing the prospects of further 50bp adjustment in August.

Chile - CB Economic expectation and financial traders survey (July, 8:30 hrs NYT)

We expect the survey to show forecasts for no changes in the monetary policy rate at Thursday's meeting, in line with our view. Nonetheless, the dovish stance of the consensus will persist on the monetary policy horizon, reflecting the market's concerns about the deceleration process in the economy and its effect on the prospects for inflation. Additionally, the results should reflect expectations of an increase of around 3.3% YoY for the economic activity index (Imacec) in June and monthly inflation at +0.2% MoM for July. Finally, we anticipate short-term exchange-rate estimates in the order of CLPUSD510.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	08 Jul	2-Jul	0.33%	--	0.23%	0.35%
CNI Capacity Utilization (SA)	08 Jul	May	83.00%	--	82.20%	83.30%
SELIC Target - Central Bank	10 Jul	2-Jul	8.50%	8.50%	--	8.00%
Retail Sales (MoM)	11 Jul	May	-0.04%	0.00%	--	0.50%
Economic Activity Indx MoM SA	12 Jul	May	-1.15%	--	--	0.84%
Chile						
Trade Balance in US\$ Million	08 Jul	Jun	\$900	\$1044	\$608.0	\$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	10-11 JUL	Jun	--	--	--	24488
Exports FOB - US\$ million	9 Jul	May	\$5416.6	\$5500	\$5266.8	\$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	--	--	266351	255474
CPI MoM	9 Jul	Jun	-0.02%	-0.05%	-0.06%	-0.33%
Bi-Weekly CPI	9 Jul	2-Jul	0.03%	-0.03%	-0.05%	-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	0.60%	-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
09-07-2013	➤ Mexico Inflation Flash: June's inflation: Inflation Approaches 4% Due To Lower Fruit And Vegetable Prices And Falling Core Inflation
08-07-2013	➤ Inflation jumped to 2.16% YoY in June, consolidating within the inflation target range
08-07-2013	➤ CPI inflation for June 0,6% m/m, in line with our forecast, and impacted by transitory elements
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

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