

Latam Daily Flash

19 July 2013 Economic Analysis

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Monetary policy minutes released yesterday by the Central Bank of Brazil suggest that although it is not excessively concerned about the depreciation of the Real, the current monetary tightening will continue ahead, in line with our call. Meanwhile, unemployment increased more than expected in Mexico, a reflection of slow job-creation, which we expect to rebound in the coming months. Today we will be watching mid-July inflation in Brazil (to check if inflation has peaked) and industrial production and retail sales in Colombia (to confirm our expectation of stronger readings for consumption than investment).

Brazil - For the COPOM, the exchange rate depreciation is a “natural and expected” transition to normality, but entails risks

The minutes of last week's monetary policy meeting suggested that the Monetary Policy Committee (COPOM) is alert to, but not excessively concerned about, the recent depreciation of the exchange rate. The tone of the minutes was also less upbeat about external, and more particularly, domestic growth. All in all, today's minutes reinforce our Selic forecasts (another +50bp adjustment in August and a final +25bp hike in October) and reduce the probability of a longer tightening cycle (for more details, see our [Brazil Flash](#)).

Mexico - Unemployment rate edges up in June

The unemployment rate came in slightly higher than expected in June at 4.99% (vs. consensus 4.92%), moving up from 4.9% in May. The participation rate fell from 60.3% to 59.6%. In seasonally adjusted terms, the unemployment rate reached 5.09%, almost unchanged from May (5.07%). Underemployment remains well above 8% and has not fallen below that level since February 2011. The slight uptick in the unemployment rate responds to the gradual decrease in the pace of job-creation, which has decelerated over the past few months from 0.4% MoM sa in April, to 0.2% MoM sa in May, to 0.1% MoM in June. Going forward, as economic activity speeds up in 2H13, we expect to see a rebound in job-creation and thus the unemployment rate should start to trend gently downwards after staying relatively flat for several months now.

What to watch today

Brazil - IPCA-15 (July, 08:00hrs NYT)

We expect today's IPCA-15, which measures inflation from mid-June to mid-July, to show the first signs of the downward trend we expect for inflation in the second half of the year. This trend could create space for the BCB to put an end to the current monetary tightening cycle in October.

Colombia - Industrial production and retail sales (May, 17:00hrs NYT)

We expect a drop in industrial production of 2.5% YoY, in line with the weakness in industrial imports and energy demand for the month. Retail sales should grow 3.6% YoY, boosted by non-durable goods spending. The results are consistent with our outlook, which anticipates a greater GDP contribution from private consumption than manufacturing investment in 2013e.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	19-22 Jul	Jun	--	--	--	87858M
CAGED Formal Job Creation	19-21 Jul	Jun	100000	--	--	72028
FGV Inflation IGP-10 (MoM)	16 Jul	Jul	0.60%	--	0.43%	0.63%
FGV CPI IPC-S	16 Jul	2-Jul	0.13%	--	0.07%	0.23%
IGP-M Inflation 2nd Preview	18 Jul	Jul	0.32%	--	0.24%	0.74%
COPOM Monetary Policy Meeting Minutes	18 Jul	--	--	--	--	--
IBGE CPI IPCA-15 (MoM)	19 Jul	Jul	0.13%	0.10%	--	0.38%
Colombia						
Outstanding Loans	17-Jul	May	--	--	\$260.1B	\$256.1B
Trade Balance	17 Jul	May	--	\$522	\$315.4	\$36.8
Retail Sales (YoY)	19 Jul	May	3.50%	3.6%	--	5.70%
Industrial Production (YoY)	19 Jul	May	-1.90%	-2.5%	--	8.40%
Mexico						
ANTAD Same-Store Sales (YoY%)	15 Jul	Jun	--	--	1.6%	-0.30%
Unemployment Rate	18 Jul	Jun	4.97%	--	4.99%	4.93%
Peru						
Unemployment	15 Jul	Jun	--	--	5.8%	5.70%
Economic Activity Indx YoY NSA	15 Jul	May	5.55%	5.1%	4.96%	7.70%

Most recent Latam reports

Date	Description
18-07-2013	➤ Brazil Flash: For the COPOM, the exchange rate depreciation is a "natural and expected" transition to normality, but entails risks
15-07-2013	➤ Mexico Real Estate Flash: Construction returns to negative terrain
15-07-2013	➤ Flash Peru: GDP slowed in May
15-07-2013	➤ Mexico Flash: Industrial production rebounded in May, partially offsetting the sharp decline in April. The trend remains of moderation.
12-07-2013	➤ Mexico Flash: In spite of a greater concern on domestic activity and a better inflation outlook, a rate cut seems to depend on a greater impairment of economic activity
11-07-2013	➤ Peru Flash: Central Bank somewhat more dovish
11-07-2013	➤ Chile Flash: CB kept the monetary policy rate at 5%, but explicitly delivered a dovish tone
11-07-2013	➤ Mexico Flash: Banxico: Fondo rate at 4.0%. A dovish tone is expected as domestic activity impairs
11-07-2013	➤ Flash Brazil: The monetary tightening continues, at an unchanged pace
09-07-2013	➤ Mexico Inflation Flash: June's inflation: Inflation Approaches 4% Due To Lower Fruit And Vegetable Prices And Falling Core Inflation

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