

Latam Daily Flash

22 July 2013 Economic Analysis

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Brazilian inflation declined more than expected by mid-July, reinforcing our view that it peaked in June and that the monetary tightening cycle will come to an end after additional hikes in August and October. Meanwhile, in Colombia, the latest figures point to a recovery supported more by private consumption than by non-residential investment. Today, signs of an incipient recovery are expected in Mexico with the retail sales data for May (we recall that the sharp slowdown of 1Q13 implied a downward bias of the initial GDP estimate of 3.1% for 2013).

Brazil - Inflation starts to trend down

July's IPCA-15, which measures inflation from mid-June to mid-July, declined significantly (and slightly more than expected) to 6.4% YoY (0.07% MoM) from 6.7% YoY (0.38% MoM) in June due to a deceleration in food inflation and the impact of the downward revision in public transport fares (following the recent wave of protests). This data reinforces our view that, after having peaked in June, inflation will trend downwards in the second half of the year, favored by positive base effects, and will close the year around 5.7%. In our view, inflation easing will create room for the BCB to put an end to the current monetary tightening cycle with a 25bp hike in October (before that the monetary authority is expected to adjust the Selic upwards by 50bp to 9.0% in August).

Colombia - Greater contribution from private consumption than manufacturing investment during recovery

In May, industrial production fell 3.1% YoY. Capital goods saw the largest decline (-7.8%), while consumer goods fell only 0.1% YoY. Retail sales rose 6.5% YoY explained by a better performance of non-durable goods. The numbers showed that the recovery in manufacturing will be weaker than in other sectors, anticipating a slower recovery of non-residential investment than in general activity.

What to watch today

Mexico - Retail sales (May, 9:00hrs NYT)

After falling sharply in April (-0.8% MoM sa), we expect to see a rebound in retail sales in May (0.4% MoM sa). If our forecast is confirmed, the annual rate would improve slightly from -0.7% to -0.2%, but most importantly we would start to see signs that economic activity is starting to recover after the sharp slowdown in 1Q13 and the start of 2Q13.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	19-22 Jul	Jun	86050M	--	--	87858M
FGV Consumer Confidence	23 Jul	Jul	--	--	--	112.9
FGV CPI IPC-S	23 Jul	2-Jul	-0.02%	--	--	0.07%
Current Account - Monthly	23 Jul	Jun	-\$5200M	--	--	-\$6420M
FIPE CPI - Weekly	25 Jul	2-Jul	0.05%	--	--	0.01%
Unemployment Rate	25 Jul	Jun	5.9%	6.00%	--	5.8%
FGV Construction Costs (MoM)	26 Jul	Jul	0.70%	--	--	1.96%
Outstanding Loans MoM%	26 Jul	Jun	--	--	--	1.5%
Chile						
Central Bank's Traders Survey	24 Jul	--	--	--	--	--
Colombia						
Overnight Lending Rate	26 Jul	2-Jul	3.25%	3.25%	--	3.25%
Mexico						
Retail Sales (INEGI)	22 Jul	May	1%	--	--	2.5%
Bi-Weekly CPI	24 Jul	2-Jul	0.11%	--	--	-0.05%
Global Economic Indicator IGAE	25 Jul	May	2.00%	--	--	4.55%
Trade Balance	26 Jul	Jun P	-533M	--	--	-469.9M
Central Bank Monetary Policy Minutes	26 Jul	--	--	--	--	--

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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