

Latam Daily Flash

24 July 2013 Economic Analysis

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The current account deficit declined in Brazil in June, and is not expected to deteriorate significantly over the remainder of the year, among other reasons, due to a weaker exchange rate. Today's focus will be on inflation: bi-weekly data for Mexico, surveys for Chile. We expect inflation to fall within the central bank's target range in Mexico and the traders' survey to point to stable policy interest rates in August in Chile.

Brazil - Better news from the external accounts in June

A higher trade surplus and a moderation in the deficit on the services account allowed the monthly current account deficit to decline from USD6.4bn in May to USD4.0bn in June. In annual terms, the deficit remained practically unchanged at around 3.2% of GDP. The figures released yesterday reinforce our view that after a sharp deterioration in the past few months (from 2.4% in December 2012 to 3.2% in May 2013), there will be less room for the current account to deteriorate further in the remainder of the year (largely due to exchange-rate depreciation, no prospect of significant recovery in domestic demand and some seasonal/statistical issues). Regarding the funding of the deficit, even though some elements of the financial account reflected a less favourable environment, FDI remained strong (USD7.0bn in June and 2.9% of GDP in annual terms; in both cases, the best reading YtD).

What to watch today

Chile - Central Bank Financial Traders Survey (second half of July, 08:30hrs NYT)

We expect the survey to show inflation estimates at around 0.3% MoM for July and expectations of a stable monetary policy rate at August's meeting. We also anticipate exchange-rate estimates in the order of CLPUSD 510 on a three-month horizon.

Mexico - Inflation (first half of July, 09:00hrs NYT)

We expect to see a 0.23% bi-weekly rise in headline inflation; 3.76% in annual terms. Inflation will thus fall below the 4.0% upper limit of the inflation target for the first time since the first fortnight in March. We expect core inflation to rise by 0.16% and 2.7% in annual terms. Thereafter, inflation is likely to decelerate further, reaching 3.6% by year-end, with a downward bias if economic activity weakens.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	22 Jul	Jun	86050M	--	85683M	87858M
FGV Consumer Confidence	23 Jul	Jul	--	--	108.3	112.9
FGV CPI IPC-S	23 Jul	2-Jul	-0.02%	--	-0.11	0.07%
Current Account - Monthly	23 Jul	Jun	-\$5200M	--	-\$3953M	-\$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%	--	0.10%	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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