

Latam Daily Flash

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Economic Analysis

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The growth in Mexican activity in May came out in line with the expected profile of recovery for the second part of the year and it is worth noting the good performance of services in contrast to industry. In Colombia, no change is expected in the monetary stance in today's announcement from the BanRep. In Brazil, low credit growth rates are expected for June, reinforcing our view of moderation.

Mexico - Good performance of activity in May, with the improvement in services offsetting the weakness in industry

Pretty much in line with expectations, the IGAE increased 0.4% MoM in May (1.8% YoY in seasonally adjusted terms), partially offsetting the drop observed in April, however, the two-month average remains negative: the moderating trend is still present. May highlighted the good growth of the service sector (2.8% vs. 2.3% expected), which suggests that despite the moderation (average services growth was 3% during 1Q13), the dynamic in the tertiary sector remains better than in Industrial Production. June's leading indicators, albeit with mixed signals, (confidence to the downside, but good performance in production and sales), could be suggesting that activity data may start to improve, in line with expectations, in the second half of the year.

Peru - Graña y Montero's debut on the NYSE paves the way for future Latin American IPOs

Peru's largest construction and engineering firm, Graña y Montero, made its debut on the NYSE with a USD413mn listing. The company placed 19.5 million American Depositary Shares at USD21.13 a piece, above the anticipated level of 16.3 million shares, reflecting the strength of demand for Latin American stocks and consequently other companies in the region, such as Brazil's Azul Linhas Aereas, Colombia's Grupo Aval and Mexico's Volaris are expected to follow suit in the coming weeks.

Peru - The minor cabinet reshuffle reduces the likelihood of further changes in the short term

In Peru three new Ministers have been sworn in for the portfolios of Foreign Trade, Social Development and Culture. These appointments continue with the trend of technocrats being appointed to senior posts within the government. Moreover, this measure suggests that this reshuffled cabinet will continue without any major changes following the traditional message by the President on 28 July (Independence Day). This includes the renewal of current Finance Minister Luis Castilla, after rumours of his departure arose some weeks ago.

What to watch today

Brazil - Credit report (June, 09:30hrs NYT)

We expect the report to show that private credit is continuing to grow at a relatively slow pace, providing only limited support to domestic demand. Lending rates should have started to trend upwards in June, which could create a less favorable outlook for NPLs, especially if we also take into account the recent deterioration in the labor markets.

Colombia - Monetary policy meeting (announcement time: not specified)

We expect that BanRep will keep its policy rate unchanged at 3.25%. The most relevant issue at the meeting should be BanRep's view of recent mixed leading indicators (industrial production and retail confidence), which might moderate the degree of optimism in June's meeting. We do not anticipate any other policy measures related to the current USD purchase-programme or financial volatility.

Mexico - Trade balance (June, 09:00hrs NYT)

Following the -USD470mn deficit of May, driven in part by the weakness in manufacturing exports, June's data might start to show a rebound that could be clearer thereafter considering that industrial production has probably bottomed out.

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%	--	-0.16%	0.01%
Unemployment Rate	25 Jul	Jun	5.9%	6.00%	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%	--	0.00%	-0.05%
Global Economic Indicator IGAE	25 Jul	May	2.00%	--	1.70%	4.55%
Trade Balance	26 Jul	Jun P	-533M	--	--	-469.9M
Central Bank Monetary Policy Minutes	26 Jul	--	--	--	--	--

Most recent Latam reports

Date	Description
24-07-2013	➤ Mexico Inflation Flash: July's biweekly inflation: Inflation Surprises to the Downside. Thanks to a Very Low Core Print
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

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