

# Latam Daily Flash

## 31 July 2013 Economic Analysis

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*In line with expectations, the minutes of the latest monetary policy meeting in Chile revealed the discussions about the timing of an upcoming monetary easing cycle, which we think will start in September. In addition, activity data in June came in broadly consistent with our 3.7% YoY GDP forecast for 2Q13. Today markets will focus on labor market data for both Chile and Colombia.*

## Chile - Monetary policy minutes gives some clues about the timing of monetary easing

The minutes of July's monetary policy meeting revealed the discussions regarding the timing of monetary easing, even though the Board decided to keep the policy rate unchanged at 5% whilst awaiting more information about the pace at which the economy is slowing. There is widespread agreement within the Council of the need to lower the policy rate during 2H13 and that the materialization of easing should not be delayed for too long. However, further discussion is necessary for the timing of cuts. All in all, we expect a first cut of 25bp in September after the release of 3Q13 Monetary Policy Report (see our [Chile Flash](#) for details).

## Chile - Activity data by sector anticipates an increase in the Imacec of 3.3% YoY in June

Manufacturing production decreased by 2.7% YoY in June (BBVAe: -1.0% YoY), while mining production increased 5.9% YoY (BBVAe: +4.0% YoY). On the other hand, retail sales remained strong and increased by 7.7% YoY (BBVAe: +7.4% YoY), still driven by durable goods. All in all, we expect the monthly activity index to grow at 3.3% YoY in June, consistent with a 2Q13 GDP expansion of 3.7% YoY (see our [Chile Flash](#) for details).

## Brazil - Fiscal data was better than expected, but remains weak

A higher than expected primary surplus generated by the regional governments and public-owned firms (BRL4.0bn) offset the very low primary surplus of the central government (BRL1.4bn) and allowed the overall primary surplus to reach BRL5.4bn in June. However, the primary surplus accumulated in the first half of the year declined to 2.3% of GDP from 3.1% in the same period last year. In annual terms, the public sector's primary surplus reached 2.0% while the nominal result, which includes interest payments, reached -2.8%. All in all, the data released yesterday reinforce our view that the (lowered) primary surplus target of 2.3% will not be reached this year.

## What to watch today

### Chile - Unemployment rate (June, 9.00hrs NYT)

We expect the unemployment rate to reach 6.5% in June (vs. 6.4% previously). The increase should be driven by an employment growth of 1.3% YoY and a labour force expansion of around 1.2% YoY.

### Colombia - Urban unemployment rate (June, 12:00 hrs NYT)

We expect the urban unemployment rate to come out at 10.9% (consensus: 10.6%), -0.4pp below the figure reported a year ago. The forecast is in line with the modest but increasing job creation figures of recent months.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGPM MoM	30 Jul	Jul	0.28%	--	0.26%	0.75%
FGV Inflation IGPM YoY	30 Jul	Jul	5.18%	--	5.18%	6.31%
Primary Budget Balance	30 Jul	Jun	2.95B	--	5.4B	5.7B
PPI Manufacturing YoY	31 Jul	Jun	--	--	--	4.07%
FGV CPI IPC-S	01 Aug	2-Jul	-0.15%	--	--	-0.11%
Industrial Production MoM	01 Aug	Jun	1.30%	0.80%	--	-2.00%
PMI Manufacturing	01 Aug	Jul	--	--	--	50.4
Trade Balance Monthly	01 Aug	Jul	\$450M	\$600	--	\$2394M
FIPE CPI - Monthly	02 Aug	Jul	-0.18%	--	--	0.32%
Vehicle Sales Fenabrave	02 Aug	Jul	--	--	--	318606
<b>Chile</b>						
Manufacturing Index YoY	30 Jul	Jun	-1.20%	-1.00%	-2.70%	-4.20%
Retail Sales YoY	30 Jul	Jun	8.00%	7.40%	7.70%	13.20%
Copper Production Total	30 Jul	Jun	--	470798	482252	475140
Central Bank Meeting Minutes	30 Jul	1-Jun	--	--	--	--
Unemployment Rate	31 Jul	Jun	6.50%	6.50%	--	6.40%
<b>Colombia</b>						
Vehicle Sales	31 Jul	Jun	--	--	--	24488
Budget Balance	30 Jul	Jun	--	--	-\$194.7B	-\$195B
Urban Unemployment Rate	31 Jul	Jun	10.50%	10.9%	--	10.40%
PPI MoM	02 Aug	Jul	--	--	--	0.24%
<b>Mexico</b>						
Budget Balance YTD	30 Jul	Jun	--	--	-75.6B	56.00B
Net Outstanding Loans	31 Jul	Jun	--	--	--	2351B
Remittances Total	01 Aug	Jun	2065.6	--	--	2033.9M
IMEF Manufacturing Index NSA	01 Aug	Jul	49.6	--	--	47.5
<b>Peru</b>						
CPI MoM	01 Aug	Jul	0.25%	0.42%	--	0.26%
Wholesale Prices (MoM)	01 Aug	Jul	--	--	--	0.82%

## Most recent Latam reports

Date	Description
30-07-2013	<a href="#">➤ Flash Chile: Activity data by sector anticipates Imacec increase of 3.3% YoY in June. Monetary policy minutes revealed signals about timing of easing</a>
29-07-2013	<a href="#">➤ Mexico Migration Outlook July 2013</a>
26-07-2013	<a href="#">➤ Central Bank in Colombia kept policy rate at 3.25% and revises downwards 2013FY GDP growth forecast from 4.3% to 4.0%</a>
24-07-2013	<a href="#">➤ Mexico Inflation Flash: July's biweekly inflation: Inflation Surprises to the Downside. Thanks to a Very Low Core Print</a>
22-07-2013	<a href="#">➤ Mexico Banking Flash: Bank deposits: slowdown has been gradual</a>
18-07-2013	<a href="#">➤ Brazil Flash: For the COPOM, the exchange rate depreciation is a "natural and expected" transition to normality, but entails risks</a>
15-07-2013	<a href="#">➤ Mexico Real Estate Flash: Construction returns to negative terrain</a>
15-07-2013	<a href="#">➤ Flash Peru: GDP slowed in May</a>
15-07-2013	<a href="#">➤ Mexico Flash: Industrial production rebounded in May, partially offsetting the sharp decline in April. The trend remains of moderation.</a>
12-07-2013	<a href="#">➤ 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</a>

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