

Latam Daily Flash

2 August 2013 Economic Analysis

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Inflation surprised to the upside and reached 3.2% in July in Peru. However, we expect it to lose steam and to be within the 1.0%-3.0% target range in the coming months. In Brazil, industrial output expanded much more than expected in June, adding upside risks to our 2Q13 GDP forecast. In Mexico, activity data revealed that the manufacturing remains weak in spite of some improvement in July.

Peru - Inflation was above the target range in July

Consumer prices rose 0.6% MoM in July, above expectations (BBVAe: 0.4% consensus: 0.3%). The month's result primarily reflected the increase in food prices and seasonal increments in transport costs, as well as higher tariffs for fuel and electricity. With this, annual inflation was 3.2%, above the target range (2% +/- 1pp). In a context of subdued domestic demand pressures, we expect inflation to return to within this range in the coming months.

Brazil - Industrial production grew more than expected in June

Industrial output expanded 1.9% MoM, topping forecasts (BBVAe: 0.8% MoM; consensus: 1.1 % MoM), erasing the 1.8% loss recorded in May, and adding an upward bias to our 0.6% QoQ 2Q13e GDP forecast. The main driver of the expansion was capital goods, with a 6.3% MoM expansion. This figure suggests that investment growth in 2Q13 could offset part of the private consumption deceleration we are expecting to be revealed by national accounts data soon.

Brazil - Trade balance continues to surprise to the downside; government reduces import tariffs

The trade balance reached -USD1.9bn in July, in sharp contrast with forecasts of a slight surplus. Exports declined 5.2% YoY and imports expanded 19.7% YoY, among other reasons, due to increasing oil imports. The year to date trade balance reached -USD5.0bn (it had reached a USD9.9bn surplus in the same period last year). These figures add a negative bias to our USD5.5bn trade balance forecast for this year (and to our -3.3% of GDP current account forecast). In spite of this deterioration, the government announced that the temporal increases in import tariffs for a group of 1000 products, implemented one year ago, will not be renewed, which means these tariffs will decline from October on. The government does not see necessary to keep this protection in an environment of weaker currency and high inflation.

Mexico - IMEF manufacturing indicator improved slightly, but it remains below the expansion threshold

The IMEF manufacturing producers indicator in July increased with respect to its June level, reaching 48.6 (46.5 in June, revised). However, this print is still below the 50 points expansion threshold for the third month in a row, signalling that the manufacturing industry remains weak.

Mexico - Slightly steeper fall in remittances than expected

Remittances in June fell 7.2% in annual terms, slightly more than our 5.7% forecast. Including this data, Mexico has seen 12 consecutive months of annual declines in remittances.

What to watch today

We expect no significant indicators to be released today

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	--	--	4.25%	4.07%
FGV CPI IPC-S	01 Aug	2-Jul	-0.15%	--	-0.17%	-0.11%
Industrial Production MoM	01 Aug	Jun	1.30%	0.80%	1.90%	-2.00%
PMI Manufacturing	01 Aug	Jul	--	--	48.5	50.4
Trade Balance Monthly	01 Aug	Jul	\$450M	\$600	-\$1897M	\$2394M
FIPE CPI - Monthly	02 Aug	Jul	-0.18%	--	--	0.32%
Vehicle Sales Fenabreve	02 Aug	Jul	--	--	--	318606
Chile						
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%	6.20%	6.40%
Colombia						
Vehicle Sales	31 Jul	Jun	--	--	--	24488
Budget Balance	30 Jul	Jun	--	--	-\$194.7B	-\$195B
Urban Unemployment Rate	31 Jul	Jun	10.50%	10.9%	11.20%	10.40%
PPI MoM	02 Aug	Jul	--	--	--	0.24%
Mexico						
Budget Balance YTD	30 Jul	Jun	--	--	-75.6B	56.00B
Net Outstanding Loans	31 Jul	Jun	--	--	2370B	2351B
Remittances Total	01 Aug	Jun	2065.6	--	1945.3M	2033.9M
IMEF Manufacturing Index NSA	01 Aug	Jul	49.6	--	48.5	47.5
Peru						
CPI MoM	01 Aug	Jul	0.25%	0.42%	0.55%	0.26%
Wholesale Prices (MoM)	01 Aug	Jul	--	--	0.97%	0.82%

Most recent Latam reports

Date	Description
1-08-2013	➤ Flash Peru: Inflation stood above the target range
30-07-2013	➤ Flash Chile: Activity data by sector anticipates Imacec increase of 3.3% YoY in June. Monetary policy minutes revealed signals about timing of easing
29-07-2013	➤ Mexico Migration Outlook July 2013
26-07-2013	➤ Central Bank in Colombia kept policy rate at 3.25% and revises downwards 2013FY GDP growth forecast from 4.3% to 4.0%
24-07-2013	➤ Mexico Inflation Flash: July's biweekly inflation: Inflation Surprises to the Downside. Thanks to a Very Low Core Print
22-07-2013	➤ Mexico Banking Flash: Bank deposits: slowdown has been gradual
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

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