

# Latam Daily Flash

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Economic Analysis

Madrid

**Juan Ruiz**

Chief Economist, South America  
juan.ruiz@bbva.com  
+34 913745887

**Enestor dos Santos**

Principal Economist, Latam  
enestor.dossantos@bbva.com  
+34 639827211

With contributions from the BBVA  
Research Latam Team:

Lima

**Hugo Perea**

Chief Economist, Peru  
hugo.perea@bbva.com  
+51 1 2112042

Bogota

**Juana Tellez**

Chief Economist, Colombia  
juana.tellez@bbva.com  
+571 3471600

Santiago

**Jorge Selaive**

Chief Economist, Chile  
jselaive@bbva.com  
+56 2 2939 10 92

Mexico City

**Carlos Serrano**

Chief Economist, Mexico  
carlos.serranoh@bbva.com  
+ 5255 5621 4354

**Javier Amador**

Principal Economist  
javier.amador@bbva.com  
+ 5255 5621 3095

*A number of indicators suggested some acceleration of economic activity in Chile, Mexico and Peru. In Chile, economic activity grew by more than expected and supports our call for stable interest rates in August. In Mexico, consumer confidence also surprised to the upside, hinting at a recovery of consumption. In Peru, public investment increased in June and it is expected to maintain its momentum going forward. Meanwhile, Brazil cut import tariffs in order to combat inflation, whereas inflation rose in Colombia, albeit from a low base. Today will be a quiet day in Latam, with no major indicators expected.*

## Chile - Economic activity increased 4.2% YoY in June

The monthly activity index increased by 4.2% YoY in June, beating both our forecast and the market's (BBVAe: 3.3%, consensus: 3.3%), mainly driven by dynamic retail sales and a positive contribution from mining production. With this print, GDP growth for 2Q13 reached 4.0% YoY, which still adds a downward bias to our baseline scenario of 5% GDP growth for this year. In terms of monetary policy, we expect the policy rate to be maintained at 5% in the August meeting. Nonetheless, during the September meeting, the Board may evaluate with more determination the first interest rate cut (see our Chile Flash for details).

## Mexico - Consumer confidence beat expectations

Consumer confidence improved 2.5% MoM (vs. 0.4% expected) to reach 95.7 (vs. 93.4 in June, seasonally adjusted). Every one of its 5 components registered an improvement, suggesting a better environment for consumption in the coming months. However, in annual terms the consumer confidence index remains in negative territory, -1.0%.

## Peru - Public investment increased again in June and we expect it to maintain momentum in the coming months

Public investment grew 13.2% YoY in June (8.6% in May), mainly due to increased spending on transport infrastructure by the national government. We expect the momentum of this component of spending to be maintained in the coming months and as a result, to partially offset the moderation of private spending.

## Brazil - Government cuts import tariffs

After announcing last week that the increases in import tariffs for a group of 100 products, implemented a year ago, will not be renewed, the government has cut the import tariffs of 184 capital goods. The measure contrasts with decisions announced in recent years and, in our view, was triggered by increasing concerns about inflation, the recent depreciation of the exchange rate (which makes the protection measures less "necessary") and the need to boost investment.

## Colombia - Consumer inflation came out at 2.22% YoY in July

Consumer inflation came out at 0.04% MoM (BBVAe: 0.08%; consensus: 0,1%), with an annual rebound helped by low base prices. Food prices and core prices (ex-food and regulated) remained strong, growing at 0.2% and 0.3% respectively, while regulated prices limited a larger CPI monthly increase, registering declines of 1,06% MoM. Most core price indicators remained strong on an annual basis, suggesting room for larger annual variations over the next few months amid a recovery in private consumption. The annual rebound falls in line with our outlook, which anticipates CPI inflation ending 2013 at 2.7% YoY.

## What to watch today

**No major indicators expected today**

## Calendar: Indicators

<b>Brazil</b>	<b>Date</b>	<b>Period</b>	<b>Consensus</b>	<b>BBVAe</b>	<b>Actual</b>	<b>Prior</b>
PMI Services	05 Aug	Jul	--	--	50.3	51
FGV Inflation IGP-DI MoM	06 Aug	Jul	0.24%	--	--	0.76%
Vehicle Sales Anfaeva	06 Aug	Jul	--	--	--	318619
IBGE Inflation IPCA MoM	07 Aug	Jul	0.00%	0.05%	--	0.26%
Commodity Price Index MoM	07-14 Aug	Jul	2.20%	--	--	5.34%
IGP-M Inflation 1st Preview	08 Aug	Aug	0.20%	--	--	0.26%
FGV CPI IPC-S	08 Aug	Aug 7	-0.08%	--	--	-0.17%
CNI Capacity Utilization (SA)	08 Aug	Jun	--	--	--	82.2%
FIPE CPI - Weekly	09 Aug	Aug 7	-0.02%	--	--	-0.16%
<b>Chile</b>						
Economic Activity YoY	05 Aug	Jun	3.4%	3.30%	4.2	3.5%
Trade Balance	07 Aug	Jul	-\$325	-\$462	--	\$608.0
CPI MoM	08 Aug	Jul	0.30%	0.20%	--	0.6%
<b>Colombia</b>						
Vehicle Sales	5-9 Aug	Jun	--	--	--	24488
CPI MoM	06 Aug	Jul	0.09%	0.08%	--	0.23%
Exports FOB	08 Aug	Jun	--	\$4800	--	\$5266.8
Colombia Monetary Policy Minutes	09 Aug	--	--	--	--	--
Consumer Confidence Index	09-15 Aug	Jul	--	25	--	27.4
<b>Mexico</b>						
Consumer Confidence Index	05 Aug	Jul	94.8	93.8	98	93.3
Gross Fixed Investment	07 Aug	May	-0.50%	--	--	5.9%
Central Bank 2Q Inflation Report	07 Aug	--	--	--	--	--
CPI MoM	08 Aug	Jul	0.02%	-0.08	--	-0.06%
Trade Balance	09 Aug	Jun F	--	--	--	855.0M
Industrial Production YoY	09-20 Aug	Jun	0.06%	0.2%	--	0.5%
Manufacturing Production (YoY)	09-20 Aug	Jun	1.00%	1.5%	--	2.2%
<b>Peru</b>						
Reference Rate	09 Aug	Aug	4.25%	--	--	4.25%
Trade Balance	09 Aug	Jun	-\$100	--	--	-\$404M

## Most recent Latam reports

<b>Date</b>	<b>Description</b>
5-08-2013	<a href="#">➤ Chile Economic Outlook 3Q13 (in Spanish)</a>
5-08-2013	<a href="#">➤ Flash Chile: Economic activity increased 4.2% YoY in June and supports a maintenance in the policy rate in August</a>
1-08-2013	<a href="#">➤ Flash Peru: Inflation stood above the target range</a>
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>

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