

# Latam Daily Flash

## 8 August 2013 Economic Analysis

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*Lower inflation in Brazil and Mexico, and it is expected to remain stable in Chile, but it is still above the target range in Peru. Trade data in Colombia and Chile appear to confirm an improvement in economic activity. No change is expected in the monetary policy rate in Peru.*

## Mexico - Banxico reduces its growth forecast for 2013 and considers that inflation is on its way to convergence

As expected, in its second quarter inflation report, Banxico reduced its GDP growth forecast for 2013 from 3.0%-4.0% to 2.0%-3.0%, and considers inflation is trending towards 3.0%. This forecast revision leaves the door open for a potential rate cut in the coming months.

## Brazil - The significant decline in inflation in July marks the beginning of a downward trend

Inflation fell sharply to 6.27% YoY (0.03% MoM) in July, from 6.70% YoY (0.26% MoM) in June. This significant drop was due to a deceleration in food prices, a cut in public transport fares and a positive base effect. We expect inflation to continue to trend down throughout the second half of the year, creating some space for the BCB to put an end to the current monetary tightening cycle in October (for more details, see our [Brazil Flash](#)).

## Chile - Trade balance registered deficit of USD254mn in July

The balance of trade registered a deficit of USD254mn in July, lower than our estimated deficit of USD462mn. The figure was driven by exports that amounted to USD6.45bn (+9.2% YoY, BBVAe: USD6.2bn) while imports reached USD6.71bn (+6.5% YoY, BBVAe: USD6.7bn). Copper exports came out slightly above our expectations and reached USD3.35bn (+6.4% YoY, BBVAe: USD3.2bn) while durable and capital goods imports surged to +17.3% and +18.2% YoY, respectively. All in all, the trade balance figures suggest that the economic slowdown is stabilising in July while the consumption of final goods remains dynamic, as expected.

## What to watch today

### Chile - Consumer Price Index (July, 8:00hrs NYT)

We expect July's CPI to come out at +0.2% (+2.1% YoY). This print will be mainly influenced by increases in food prices, transportation fares and health care that will be partially offset by declines in apparel prices.

### Mexico - Inflation (July, 9:00 hrs NYT)

We expect that inflation in July will confirm the recent decline in annual inflation (-0.08% MoM, 3.42% YoY). This reduction would be a result of an additional fall in the price of agricultural products as supply shocks continue to dissipate. In addition, core inflation should remain stable or could even observe a marginal reduction given the economic slack.

### Colombia - Exports (June, 17:00 hrs. NYT)

Exports should register the first positive YoY growth since October 2012, in line with the improved performance of the mining sector. We expect foreign sales to reach USD 4.8bn (1.9% higher than in June 2012). This indicator should confirm that the recovery has already begun in 2Q13, anticipating a consolidation throughout 2H13.

**Peru - Monetary policy meeting (August, 19:30hrs NYT)**

We expect the central bank to keep its policy rate at 4.25% in August. On the one hand, yearly inflation (3.2% in July) is above the target range (2% +/-1pp), but we expect it to return inside the range in the coming months and on the other hand, even though we anticipate a moderation in domestic demand, output growth should remain close to potential.

**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%            | --           | 0.14%         | 0.76%        |
| Vehicle Sales Anfavea            | 06 Aug      | Jul           | --               | --           | 342306        | 318619       |
| IBGE Inflation IPCA MoM          | 07 Aug      | Jul           | 0.00%            | 0.05%        | 0.03%         | 0.26%        |
| Commodity Price Index MoM        | 07 Aug      | Jul           | 2.20%            | --           | 2.27%         | 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%        | 4.20%         | 3.5%         |
| Trade Balance                    | 07 Aug      | Jul           | -\$325           | -\$462       | -\$254        | \$608.0      |
| CPI MoM                          | 08 Aug      | Jul           | 0.30%            | 0.20%        | --            | 0.6%         |
| <b>Colombia</b>                  |             |               |                  |              |               |              |
| Vehicle Sales                    | 8-9 Aug     | Jun           | --               | --           | --            | 24488        |
| CPI MoM                          | 06 Aug      | Jul           | 0.09%            | 0.08%        | 0.04%         | 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%           | --           | -0.70%        | 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

| Date       | Description   |
|------------|---|
| 7-08-2013  | <a href="#">➤ Peru Economic Outlook 3Q13 (in Spanish)</a>   |
| 7-08-2013  | <a href="#">➤ Brazil Flash: Significant decline of inflation in July marks the beginning of a downward trend</a>  |
| 5-08-2013  | <a href="#">➤ Colombia Flash: CPI inflation stood at 2.22% YoY in July, continuing with increasing YoY variations</a>   |
| 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>                               |

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