

Latam Daily Flash

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Economic Analysis

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Moderation in credit markets in Brazil, driven to some extent by the slowdown in public credit. No room for a significant rebound in 2014 due to the excessive expansion in previous years and the ongoing monetary tightening. Today, activity data by sector in Chile should point to some moderation in the expansion in retail sales and a degree of recovery in manufacturing output during December 2013.

Brazil - Welcome moderation in credit markets

The growth in the total stock of credit eased to 14.6% in 2013 from 16.4% in 2012 and more than 30% a few years ago. The 2013 moderation was driven by the slowdown in the corporate rather than in the household segment. From another perspective, the slowdown is related to the fact that loans from public banks lost momentum in 2013 thanks to a (politically driven) deceleration in the fourth quarter. More precisely, the growth in public credit declined from 27.9% in 2012 to 22.6%. Meanwhile, private credit growth remained practically unchanged in 2013 (7.3% vs. 7.6% in 2012) thanks to a rebound at the end of the year. Lending rates closed the year at 19.7%, up 170bp from a year ago, and non-performing loans dropped to 3.0% from 3.7% at the end of 2012. All in all, we see as positive the news on the moderation in the credit market as the expansion in previous years was somewhat excessive. We see no room for a significant rebound in 2014, among other reasons because of the ongoing monetary tightening. Moreover, we expect public loans to continue to lose some momentum and private credit to gain some market share in future.

What to watch today

Brazil - Labor market report (December, 06:00hrs NYT)

We expect unemployment to close the year at 4.3%, an all-time low, mostly due to a smaller working population. In addition, wage data should add to the recent signs of moderation.

Chile - Activity data by sector (December, 08:00hrs NYT)

We estimate retail sales expansion of 8.0% YoY in December, while manufacturing output should increase by 0.5% YoY in the period. With this data, we anticipate monthly aggregate activity growth (Imacec) of between 2.2% and 3.2% YoY in the month. The latter is still consistent with our GDP growth forecast slightly above 4.0% for 2013e.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	27 Jan	Jan	0.86%	--	0.86%	0.83%
FGV Construction Costs MoM	28 Jan	Jan	0.59%	--	0.70%	0.22%
Outstanding Loans MoM	29 Jan	Dec	--	--	2.40%	1.50%
FGV Inflation IGPM MoM	30 Jan	Jan	0.49%	--	--	0.60%
PPI Manufacturing MoM	30 Jan	Dec	--	--	--	0.62%
Unemployment Rate	30 Jan	Dec	4.40%	4.30%	--	4.60%
Primary Budget Balance	31 Jan	Dec	11,0B	14.0B	--	29.7B
Chile						
Manufacturing Index YoY	30 Jan	Dec	--	0.50%	--	-1.10%
Retail Sales YoY	30 Jan	Dec	--	8%	--	9.20%
Unemployment Rate	31 Jan	Dec	5.70%	5.90%	--	5.70%
Central Bank Meeting Minutes	31 Jan	Jan	--	--	--	--
Colombia						
Industrial Confidence	28 Jan	Dec	--	0	-1.3	-5.2
Retail Confidence	28 Jan	Dec	--	20	22	18.5
Urban Unemployment Rate	31 Jan	Dec	9.30%	9.70%	--	9.30%
Overnight Lending Rate	31 Jan	Jan	3.25%	3.25%	--	3.25%
Budget Balance	31 Jan	Dec	--	--	--	-\$1997B
Mexico						
Economic Activity IGAE YoY	27 Jan	Nov	0.80%	0.10%	0.10%	1.33%
Trade Balance	27 Jan	Dec	819,5M	1101.0M	1657,6M	339.1M
Overnight Rate	31 Jan	--	3.50%	3.50%	--	3.50%
Peru						
CPI MoM	2 Feb	Jan	--	--	--	0.17%

Most recent Latam reports

Date	Description
29-01-2014	➤ Mexico Migration Outlook December 2013
29-01-2014	➤ Mexico Banking Flash. Bank deposits: growth in the second half of the year
29-01-2014	➤ Mining sector in Chile: The challenge is efficiency (in Spanish)
29-01-2014	➤ Mexico Regional Sectorial Outlook: First half 2014
29-01-2014	➤ BBVA Brazil Perspectives: Stuck at a bad macro equilibrium
28-01-2014	➤ Chile Flash: We expect January CPI at 0.14% and see a negative bias on our February CPI forecast (in Spanish)
24-01-2014	➤ Mexico Banking Flash: Bank deposits: momentum in the second half of the year (in Spanish)
23-01-2014	➤ Brazil Flash: COPOM sees higher inflation and stable economic activity ahead
23-01-2014	➤ Mexico Inflation Flash: Inflation in the first fortnight of January
22-01-2014	➤ Mexico Economic Watch: The evolution of educational attainment in Mexico and the OECD, 1960-2010 (in Spanish)

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