

Latam Daily Flash

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Economic Analysis

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Yesterday, Colombia released its inflation report, revealing that the monetary authority expects a relatively low GDP growth rate for the first quarter of the year, which is in line with the monetary policy easing adopted in the period but not necessarily with additional monetary stimulus going forward. In Peru, reserves requirements were eased to encourage long-term loans in domestic currency, the robust fiscal position and high growth rates triggered the credit agency DBRS to upgrade Peru's ratings and official data showed that credit activity continued to moderate in March. Today the highlights will be the release of labor and activity data in Colombia and Chile and fiscal data in Brazil and Mexico.

Colombia - BanRep expects a 1Q13 GDP growth of 2.8% YoY

In its quarterly inflation report, BanRep announced that it expects a 1Q13 GDP growth rate between 2.0% and 3.5% YoY, with 2.8% being the most likely outcome. According to BanRep, the sluggish dynamic is explained by fewer working days compared to the same quarter of a year ago, the temporary mining shock, and a weak consumption dynamic. BanRep's Governor also announced that he expects 2013 inflation (eop) to be below 3%, although he expects it to return to the 3% level in 2014. Governor Uribe suggested once more that the current policy rate already anticipates a weak 1Q13 GDP, which is in line with our view of monetary stability for the rest of 2013.

Peru - Central bank relaxes reserve requirements in soles

For long-term liabilities in soles, lenders will not be subject to reserve requirement of 25% up to an amount equivalent to 2.3 times effective equity (the previous limit was 2.2 times equity). This change gives the banks more room to take long-term financing in soles without being subject to reserve requirements.

Peru - DBRS upgrades Peru's long-term foreign and local currency issuer ratings to BBB from BBB (low)

According to the credit rating agency, the upgrade reflects Peru's strong fiscal performance and high rates of growth, which have led to a substantial reduction in public debt and, more recently, to the accumulation of fiscal savings. In addition, the trend remains positive. This reflects DBRS's assessments that growth prospects are favorable, fiscal accounts are in a healthy position, and the economy is well-prepared to manage adverse shocks.

Peru - Credit to the private sector continues to moderate

According to central bank figures (which include both loans and holdings of non-financial corporate bonds), credit to the private sector grew by 14.3% YoY in March and continues its downward trend (1Q13 average 14.6% YoY vs. 4Q12 average of 16.1% YoY) as the increases in reserve requirements are gradually making an impact.

What to watch today

Chile - Activity data and unemployment rate (March, 09:00 hrs NYT)

We expect manufacturing output to have decreased 0.8% YoY and retail sales to have grown 7.8% YoY in March, maintaining the momentum observed in recent months. The latter is supported by expectations of an unemployment rate at 6.4% in March, the same level as seen in February's print.

Brazil – Fiscal report (March, 09:30 hrs NYT)

The report should provide some guidance regarding the future evolution of fiscal policy. We expect fiscal policy to remain committed to supporting growth and to a lesser extent to a reduction in public debt (in line with comments from some officials' released today).

Mexico – Fiscal report (1Q13, 10:00 hrs NYT)

The first quarterly report on public finance for the year should provide some guidance on tax revenue growth, which is expected to slow during 2013 due to lower oil-related revenues and moderate growth in tax revenues in line with the expansion in economic output. 12-month flows to February reflected a low rate of real growth of 2.1% YoY, mainly due to lower oil revenues (0.9% YoY) and to a lesser extent, lower growth in tax revenues (1.42% YoY).

Colombia – Urban unemployment rate (March, 12:00 hrs NYT)

We expect urban unemployment to drop to 11.4% (vs. 12.3% in February), although remaining stable on a seasonally-adjusted basis at 11%, with job creation figures maintaining the pace observed in recent months.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-M (YoY)	29-Apr	Apr	7,35%	--	7,3%	8.06%
Central Govt Budget	29-Apr	Mar	2,65B	--	0,285B	-6.4B
Nominal Budget Balance	30-Apr	Mar	--	--	--	-23.3B
Commodity Price Index (MoM)	01-08 May	Apr	--	--	--	-1.82%
FGV CPI IPC-S	02-May	Apr	0,46%	--	--	0.54%
Trade Balance (Mln) - Monthly	02-May	Apr	\$-950M	\$-800M	--	\$164M
Vehicle Sales (Fenabrave)	02-03 May	Apr	--	--	--	283934
FIPE CPI - Monthly	03-May	Apr	0,24%	--	--	-0.17%
Industrial Production sa (MoM)	03-May	Mar	1.3%	1.5%	--	-2.5%
PMI Services	03-May	Apr	--	--	--	50.3
Chile						
Manufacturing Index	30-Apr	Mar	0.2%	-0,08%	--	0.9%
Retail Sales (YoY)	30-Apr	Mar	8.45%	7,8%	--	7.4%
Copper Production Total	30-Apr	Mar	--	408927	--	420207
Unemployment Rate	30-Apr	Mar	6.3%	6.4%	--	6.2%
Colombia						
Central Govt Budget	29-Apr	Mar	--	--	-2820.8	-\$2821B
Urban Unemployment Rate	30-Apr	Mar	11.4%	11,4%	--	12.3%
Producer Price Index (MoM)	03-May	Apr	--	--	--	0.37%
Consumer Price Index (MoM)	04-May	Apr	0.18%	0,15%	--	0.21%
Mexico						
Budget Balance (Year to date)	30-Apr	Mar	--	--	--	53.80B
Remittances (USD)	02-May	Mar	1940M	--	--	1590.0M
IMEF Manufacturing Index NSA	02-May	Apr	52.00	51.8	--	51.3
Peru						
Consumer Price Index (MoM)	01-May	Apr	0,35%	0,35%	--	0.91%
Wholesale Prices (MoM)	01-May	Apr	--	--	--	0.28%

Most recent Latam reports

Date	Description
26-04-2013	➤ Mexico Flash: Results of the National Financial Inclusion Survey
26-04-2013	➤ Flash Colombia: BanRep kept policy rate unchanged at 3.25% in line with consensus, and revised upwards FY13 GDP growth to 4.3%
26-04-2013	➤ Flash Chile: Central Bank kept its neutral stance before preliminary slowdown
26-04-2013	➤ Banxico Flash: Banxico: Getting ready to pull the trigger if necessary
25-04-2013	➤ Brazil Flash: COPOM: "vigilant" and focused on 2014
22-04-2013	➤ Mexico Inflation Flash: April's biweekly CPI: Headline inflation soars driven by persistent supply shocks, while core remains near 3%
22-04-2013	➤ Mexico Flash: Banco de México: Inflation hike anchors the monetary policy rate
22-04-2013	➤ Mexico Economic Watch: Room for accumulating reserves in view of the strength of the exchange rate
22-04-2013	➤ Mexico Real Estate Flash: Let's not lose sight of the forest...
18-04-2013	➤ Brazil Flash: Monetary conditions are tightened to prevent inflation from running out of control

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