

Latam Daily Flash

21 August 2013 Economic Analysis

Madrid

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The sharp downside surprise in Mexico's 2Q13 GDP adds a strong downward bias to our growth forecast for 2013 and leaves the door wide open for a rate cut in September. Today, we expect the inflation print in Brazil to confirm the downward trend, in line with monetary tightening.

Mexico - 2Q13 GDP surprises sharply to the downside

2Q13 Mexico's GDP surprised sharply to the downside, at -0.7% QoQ sa (BBVAe and consensus: +0.2% QoQ sa), equivalent to +1.5% YoY sa (BBVAe and consensus: 2.3% QoQ sa). The industrial sector declined 1.1% QoQ sa, while the services sector contracted for the first time since 2009 (-0.4% QoQ sa). In addition, 1Q13 GDP growth was revised downwards from 0.5% to 0.0% QoQ sa. The much weaker than expected print adds a strong downward bias to our growth forecast for 2013 and in our view leaves the door wide open for a rate cut at Banxico's next monetary policy meeting in September (see our [Mexico Flash](#) for details).

What to watch today

Brazil - IPCA-15 (August, 08:00hrs NYT)

We expect today's IPCA-15, which measures inflation from mid-July to mid-August, to come in at 6.1%. We are forecasting a downward trend for the coming months related to the lower prices of food and positive base effects. In our view inflation easing will create room for the BCB to put an end to the current monetary tightening cycle with a 25bp hike in October (before that we expect the monetary authority to adjust the Selic upwards by 50bp to 9.0% in August).

Mexico - Retail sales (June, 09:00hrs NYT)

We expect June's retail sales to contract 0.5% MoM, consistent with the sharp drop in QoQ GDP growth released yesterday. As we already have the GDP print for the second quarter, the retail sales data for June will be less relevant than what the trend implies for the start of the third quarter.

Calendar: Indicators

| Brazil | Date | Period | Consensus | BBVAe | Actual | Prior |
|----------------------------|-----------|--------|-----------|--------|--------|----------|
| Tax Collections | 19 Aug | Jul | 94715M | -- | 94293M | 85683M |
| Current Account Balance | 23 Aug | Jul | -\$8400M | -- | -- | -\$3953M |
| IBGE Inflation IPCA-15 YoY | 21 Aug | Aug | 6.14% | -- | -- | -- |
| FGV CPI IPC-S | 23 Aug | Aug 22 | 0.13% | -- | -- | -- |
| Formal Job Creation Total | 20-23 Aug | Jul | 100000 | -- | -- | 123836 |
| FGV Consumer Confidence | 23 Aug | Aug | -- | -- | -- | 108.3 |
| Unemployment Rate | 22 Aug | Jul | 5.80% | -- | -- | 6.00% |
| IBGE Inflation IPCA-15 MoM | 21 Aug | Aug | 0.15% | -- | -- | 0.07% |
| Chile | | | | | | |
| GDP YoY | 19 Aug | 2Q | 4.00% | 4.00% | 4.10% | 4.10% |
| GDP QoQ | 19 Aug | 2Q | 0.60% | 0.64% | 0.50% | 0.50% |
| Current Account Balance | 19 Aug | 2Q | -3900 | -4.50% | -1631 | -1690 |
| Colombia | | | | | | |
| Outstanding Loans | 20-23 Aug | Jun | -- | -- | -- | \$260.1T |
| Outstanding Loans YoY | 20-23 Aug | Jun | -- | -- | -- | 15.07% |
| Retail Sales YoY | 22 Aug | Jun | 4.50% | 6.8% | -- | 6.50% |
| Industrial Production YoY | 22 Aug | Jun | -4.00% | -5% | -- | -3.10% |
| Mexico | | | | | | |
| Current Account Balance | 23 Aug | 2Q | -\$3387M | -- | -- | -\$5532M |
| Unemployment Rate | 23 Aug | Jul | 5.22% | -- | -- | 4.99% |
| Economic Activity IGAE YoY | 20 Aug | Jun | 0.95% | -- | -0.40% | 1.70% |
| GDP YoY | 20 Aug | 2Q | 2.30% | -- | 1.50% | 0.80% |
| GDP QoQ | 20 Aug | 2Q | 0.20% | -- | -0.74% | 0.50% |
| Bi-Weekly CPI | 22 Aug | Aug 15 | 0.16% | -- | -- | -0.02% |
| Peru | | | | | | |
| GDP YoY | 23 Aug | 2Q | 5.60% | 5.1% | -- | 4.80% |

Most recent Latam reports

| Date | Description |
|------------|---|
| 20-08-2013 | ➤ Mexico GDP Flash: GDP surprises to the downside with a reduction of -0.7% q/q. This mainly as a result of the strong decline in the industrial output |
| 20-08-2013 | ➤ Latam Economic Outlook 3Q13 |
| 19-08-2013 | ➤ Brazil Economic Outlook 3Q13 (In Spanish) |
| 19-08-2013 | ➤ Flash Chile: GDP growth reached 4.1% YoY in 2Q13 |
| 15-08-2013 | ➤ Flash Peru: GDP slowed in June |
| 13-08-2013 | ➤ Colombia Economic Outlook 3Q13 (In Spanish) |
| 13-08-2013 | ➤ Flash Chile: Central Bank kept policy rate at 5%, but easing should be materialize in September |
| 9-08-2013 | ➤ Brazil Economic Outlook |
| 8-08-2013 | ➤ 3Q13 Latin America Economic Outlook (in Spanish) |
| 8-08-2013 | ➤ Peru Flash: Central Bank leaves open the possibility of further easing reserve requirements |

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