

Latam Daily Flash

20 September 2013 Economic Analysis

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Colombian GDP surprised upwards, in line with the President's assessment. In contrast, details of the demand side of Mexican GDP revealed a fall in domestic demand components. Today we expect a slight decrease in yearly inflation in Brazil.

Colombia - GDP surprised upwards in 2Q13, growing 4.2% YoY with a smooth path to recovery

GDP grew 4.2% YoY (Figure 1), above market expectations (consensus: 3.4% and BBVAe: 3.3%). The expansion was stronger than in 1Q13 and the second part of 2012, suggesting a more dynamic recovery. The biggest surprises came from the investment component, where both residential investment and public investment managed to overcome negative base effects. Exports surprised to the upside, supported by mining and coffee. On the supply side, agriculture and construction led growth, while manufacturing continued to lag but growth was at least positive (1.2% YoY), something not seen since 2Q12. The overall figure is above the upper limit of the BanRep expected range (2.5% - 4.0%), which together with the upward revision of 2012 GDP (from 4.0% to 4.2%), should imply that the rate cut anticipated by some market players is not implemented (see our [Colombia Flash](#)).

Mexico - 2Q13 GDP breakdown reveals weak domestic demand

2Q13 GDP demand breakdown revealed weaker than expected domestic demand components. Investment fell sharply in the second quarter, -1.9% QoQ sa and -0.8% QoQ sa private consumption, while government consumption also inched lower (-0.1% QoQ sa). In contrast, exports increased 1.2% QoQ sa. This disaggregated data for the second quarter reinforces the downward bias to our present 1.4% 2013 GDP growth forecast.

What to watch today

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

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We expect September's IPCA-15, which measures inflation from mid-August to mid-September, to reach 0.33% MoM compared to 0.16% MoM in the previous reading. In spite of this increase in monthly terms, yearly inflation should decline to 6.0% YoY from 6.15%. Looking ahead, we see some room for yearly inflation to continue to trend down, at least if the domestic currency does not weaken significantly in the months ahead and fuel prices are not adjusted upwards.

Mexico - Unemployment rate (August, 09:00hrs NYT)

Previous unemployment reports have been negative and labor market conditions do not appear to be recovering. Thus, we expect the unemployment rate to increase from 5.1% in July to 5.2% in August.

Colombia - Retail sales and industrial production (July, 17:00hrs NYT)

We expect industrial production to contract -1.4% YoY, suggesting a still weak industrial recovery and despite positive figures for energy demand. On the other hand, we expect retail sales growth to reach 4.9% YoY, in line with recovering consumer confidence.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-10 MoM	16 Sep	Sep	0.91%	--	1.05%	0.15%
FGV CPI IPC-S	16 Sep	2-Sep	0.27%	--	0.27%	0.25%
Formal Job Creation Total	20 Sep	Aug	90000	--	--	41463
CNI Industrial Confidence	17 Sep	Aug	--	--	54.2	52.5
FIPE CPI - Weekly	18 Sep	2-Sep	0.24%	--	0.16%	0.21%
IGP-M Inflation 2nd Preview	18 Sep	Sep	1.15%	--	1.36%	0.11%
IBGE Inflation IPCA-15 MoM	20 Sep	Sep	0.30%	0.33%	--	0.16%
Colombia						
Vehicle Sales	20-30 Sep	Aug	--	--	--	25301
Outstanding Loans	20 Sep	Jul	--	--	--	\$265.0T
GDP QoQ	19 Sep	2Q	1.50%	1.6%	1.80%	0.3%
GDP YoY	19 Sep	2Q	3.5%	3.3%	2.20%	2.8%
Retail Sales YoY	20 Sep	Jul	5.5%	4.9%	--	4.1%
Industrial Production YoY	20 Sep	Jul	-4.0%	-1.4%	--	-5.5%
Mexico						
Aggregate Supply and Demand	19 Sep	2Q	1.80%	--	1.80%	1.0%
Unemployment Rate	20 Sep	Aug	5.30%	--	--	5.12%
Central Bank Monetary Policy Minutes	20 Sep	--	--	--	--	--
Peru						
Unemployment Rate	16 Sep	Aug	6.15%	--	5.60%	6.0%
Economic Activity YoY	16 Sep	Jul	4.80%	4.80%	4.50%	4.4%
Central Bank Quarterly Inflation Report	20 Sep	--	--	--	--	--

Most recent Latam reports

Date	Description
19-09-2013	➤ Flash Mexico: Private consumption and investment dragged down GDP in 2Q13 (In Spanish)
19-09-2013	➤ Flash Colombia: GDP surprised upwards in 2Q13 growing 4.2% YoY with a homogeneous path to recovery
16-09-2013	➤ Flash Peru: GDP growth kept moderate in July
12-09-2013	➤ Flash Chile: Central Bank kept the monetary policy rate at 5%. Even though, the downward bias for the MPR was ratified
12-09-2013	➤ Flash Peru: Monetary policy meeting: no news
11-09-2013	➤ Mexico Economic Watch: Fiscal Reform: in the right direction, but not enough
10-09-2013	➤ Colombia Economic Outlook 3Q13
06-09-2013	➤ Banxico Flash: As BBVA Bancomer called it, Banxico cuts the monetary interest rate. If the economic weakness continues, another cut cannot be dismissed
06-09-2013	➤ Brazil Flash: Inflation continues to ease
06-09-2013	➤ Flash Chile: CPI inflation increased 0.2% MoM in August

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