

Latam Daily Flash

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Economic Analysis

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Due to the Easter holidays, we will not publish our Latam Daily Flash on Thursday and Friday

Peruvian GDP went up by 5.7% YoY in February, a print which is consistent with a 5.2%-5.4% YoY output growth in 1Q14. In Brazil, core retail sales increased in line with expectations, but the broad indicator declined because of a sharp drop in vehicle sales. All in all, these readings are in line with our view of a moderating contribution of private consumption to economic growth.

Brazil - An expected moderation in retail sales in February

In line with expectations, the core retail sales indicator increased 0.2% MoM while the broad indicator declined 1.6% MoM in February due to a sharp drop in vehicle sales. These figures show a moderation with respect to January when the core and broad indicators increased 0.4% MoM and 2.8% MoM, respectively. All in all, retail sales data are in line with our view that private consumption will continue contributing positively to GDP growth although not as much as in the past. In particular, we expect private consumption to grow in 1Q14 less than in the last two quarters (1.0% QoQ in 3Q13 and 0.7% QoQ in 4Q13). In our view, rising inflation, tighter monetary conditions and less supportive credit and labor markets are behind this moderation.

Peru - Output growth surprises to the upside in February

Output growth picked up in February to 5.7% YoY (vs. 4.2% in January), somewhat above the print we were expecting (BBVA: 5.4%; Consensus: 4.8%). There was an important upsurge in non-primary sectors, especially in Construction and Manufacturing. Economic activity growth in March will receive a statistical boost from the positive effect from the Easter holidays. Nevertheless, available indicators for that month do not point at a very important acceleration. Taking this into consideration, we estimate that output growth could have been around 5.2% to 5.4% YoY in 1Q14 (see our [Peru Flash](#) for more details).

What to watch today and tomorrow

Brazil - IBC-Br (April 16, 7:30hrs NYT)

After rebounding at the beginning of the year favored by positive base effects (i.e. a sharp downward correction in November and December), we expect the BCB's economic activity index to increase by around 0.3% MoM in February. These figures are in line with a GDP growth of around 0.5% QoQ in 1Q14 (vs. 0.7% QoQ in 4Q13).

Brazil - IPCA-15 (April 17, 8:00hrs NYT)

We expect food prices to drive up March's IPCA-15 (which measures inflation from the middle of February until the middle of March) to 0.80% MoM from 0.73% MoM in the previous IPCA-15 reading. However, food inflation should moderate somewhat in comparison to the February's (full-month) IPCA and continue to do so in the upcoming inflation readings. Upward surprises could force the BCB to deliver a final 25bp adjustment of the SELIC rate in May rather than leaving it unchanged at 11.00% as we expect.

Brazil - Labor market report (April 17, 8:00hrs NYT)

More news about a slight moderation of the labor market are expected. In particular, we expect the unemployment rate to reach 5.3% in March in comparison to 5.1% in February.

Chile - Monetary policy meeting (April 17, 16:00hrs NYT)

We expect an additional cut of 25bp in the monetary policy rate (to 3.75% from 4.00%) at Thursday's meeting. In our view a further cut is consistent with the CB's baseline scenario. We think that monetary policy decisions in the coming months will be more data-dependent.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Inflation IGP-10 MoM	14 Apr	Apr	1.10%	--	1.19%	1.29%
Formal Job Creation Total	16 Apr	Mar	92000	--	--	260823
Retail Sales MoM	15 Apr	Feb	0.20%	0.3%	0.17%	0.43%
CNI Industrial Confidence	15 Apr	Apr	--	--	49.2	52.5
IGP-M Inflation 2nd Preview	16 Apr	Apr	0.78%	--	--	1.41%
FGV CPI IPC-S	16 Apr	Apr	0.91%	--	--	0.96%
Economic Activity MoM	16 Apr	Feb	0.30%	0.4%	--	1.26%
FIPE CPI - Weekly	17 Apr	Apr	0.70%	--	--	0.73%
IBGE Inflation IPCA-15 MoM	17 Apr	Apr	0.85%	0.8%	--	0.73%
Unemployment Rate	17 Apr	Mar	5.35%	5.3%	--	5.1%
Tax Collections	17 Apr	Mar	90243M	--	--	83137M
Chile						
Overnight Rate Target	17 Apr	Apr	4.00%	3.75%	--	4.00%
Colombia						
Consumer Confidence Index	15 Apr	Mar	--	23	17.5	15.7
Retail Sales YoY	14 Apr	Feb	6.2%	6.5%	6.7%	6.5%
Industrial Production YoY	14 Apr	Feb	1.5%	1.35%	2.78%	0.1%
Mexico						
Formal Job Creation Total	16 Apr	Mar	--	69.25K	--	125.6K
Peru						
Economic Activity YoY	15 Apr	Feb	4.8%	5.4%	5.7%	4.2%
Unemployment Rate	15 Apr	Mar	7.1%	--	6.9%	7.0%

Most recent Latam reports

Date	Description
15-04-2014	➤ Argentina Economic Watch: The challenge of competitiveness (in Spanish)
15-04-2014	➤ Chile Economic Watch: Fiscal policy: more expansive than expected (in Spanish)
15-04-2014	➤ Mexico Banking Flash: Bank deposits: uneven behaviour by components
15-04-2014	➤ Peru Flash: Economic activity: output growth surprises on the upside in February
15-04-2014	➤ Chile Flash: We expect activity to have increased between 2.9% and 3.4% YoY in March (in Spanish)
14-04-2014	➤ Brazil Travel Report: Politics starts to take centre stage while pessimism about the performance of the economy continues
14-04-2014	➤ Colombia Economic Watch: Exchange rate pass-through to prices in Colombia (in Spanish)
14-04-2014	➤ Mexico Banking Flash: Bank Deposits: varied performance by components (in Spanish)
14-04-2014	➤ Mexico Economic Watch: Social Security Reform
11-04-2014	➤ Working Paper No. 14/11: Competitiveness in the Latin American manufacturing sector: trends and determinants

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