

# Latam Daily Flash

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**Economic Analysis**

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*Also in Brazil, the moderating trend in credit reflects the slowdown in private consumption. Today we expect activity data in Chile to reflect improvements in retail sales led by the consumption of non-durable goods.*

## Brazil - President Dilma continues to lose ground

A poll of voters released yesterday showed that the approval rating of President Dilma declined to 32.9% in April from 36.4% in February. Moreover, the share of the voters surveyed who intend to vote for the current president in the October presidential elections declined to 37.0% from 43.7% while those favouring opposition candidates Aécio Neves and Eduardo Campos increased to 21.6% and 11.8% (+4.6pp and +1.9pp respectively). This poll reinforces the results of other polls released recently that show that although the President Dilma remains the favourite to win the October elections, she continues to lose momentum.

## Brazil - Rising lending rates and stable non-performing loans

According to the BCB credit report for March, lending rates continued to adjust upwards in the period. More precisely, they reached 21.1% in comparison to 21.0% in February and 18.5% one year ago, right before the beginning of the tightening of monetary conditions, which has seen the Selic rate rise by 375bp since then. In spite of this adjustment, non-performing loans remained stable at 3.0% in March, the same figure as in the previous reading and lower than the 3.6% figure of one year ago. This apparent "decoupling" is, among other factors, due to the increase in the share of earmarked credit observed in the period (46% in March vs. 42% one year ago). The credit stock grew 13.7% YoY / 1.0% MoM and reached 55.9% of GDP. The credit slowdown observed in the last few months is a consequence of both a gradual moderation in public credit and a lack of dynamism in credit from private banks. All in all, the credit market performance continues to favour a moderation in private consumption.

## What to watch today

### Chile - Activity data by sector (March, 9:00hrs NYT)

We expect retail sales to reach 5.5% YoY in March, driven mainly by non-durable consumption, while manufacturing output should increase by 1.3% YoY, recovering from February's print. Finally, we expect mining output to have grown by around 4% YoY in the month.

### Chile - Unemployment rate (March, 9:00hrs NYT)

We expect the unemployment rate to remain stable at 6.3% in March. Job-creation, although decelerating, should fully offset the rises in the participation rate (increases in the labour force). We still expect changes in the composition of employment towards more self-employed.

### Brazil - Fiscal report (March, 9:30hrs NYT)

Data released in the last few days show that revenues continued to grow at a relatively mild pace in March, downplaying the expectations for the public sector's primary and total results due to be published today and reinforcing our view that the 1.9% of GDP primary surplus target will not be met this year.

### Colombia - Unemployment rate (March, 12:00hrs NYT)

We are forecasting an urban unemployment rate of 10.6% (a 1pp decrease YoY), similar to last month's figure (seasonally-adjusted). The job-creation figure (YoY) will show dynamism, in line with our expectations for activity for 1Q14.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	28 Apr	Mar	87000M	--	86621M	83137M
CNI Consumer Confidence	28 Apr	Apr	--	--	108.7	108.8
FGV Inflation IGPM MoM	29 Apr	Apr	0.82%	--	0.78%	1.67%
Outstanding Loans MoM	29 Apr	Mar	--	--	1.0%	0.6%
Total Outstanding Loans	29 Apr	Mar	--	--	2760B	2733B
Primary Budget Balance	30 Apr	Mar	3,2B	--	--	2.1B
Trade Balance Monthly	2 May	Apr	\$275M	--	--	\$112M
<b>Chile</b>						
Manufacturing Index YoY	30 Apr	Mar	1.15%	1.3%	--	-1.97%
Unemployment Rate	30 Apr	Mar	6.3%	6.3%	--	6.1%
Retail Sales YoY	30 Apr	Mar	5.0%	5.5%	--	5.3%
<b>Colombia</b>						
Trade Balance	28 Apr	Feb	-\$72,5	-\$65.0	-\$505,6	\$157.4
Urban Unemployment Rate	30 Apr	Mar	10.6%	10.6%	--	11.2%
Budget Balance	30 Apr	Mar	--	--	--	-\$2703B
<b>Mexico</b>						
Trade Balance	28 Apr	Mar	1600,0M	1830.0M	1026,6M	976.3M
Net Outstanding Loans	30 Apr	Mar	--	--	--	2496B
Budget Balance YTD	1 May	Mar	--	--	--	-45.7B
HSBC Mexico Manufacturing PMI	2 May	Apr	--	--	--	51.7
Remittances Total	2 May	Mar	1900,0M	1869.0M	--	1677.3M
IMEF Manufacturing Index SA	2 May	Apr	53.5	53.7	--	52.7
IMEF Non-Manufacturing Index SA	2 May	Apr	51.2	51.1	--	51.2
<b>Peru</b>						
CPI MoM	1 May	Apr	0.27%	--	--	0.52%
Wholesale Price Index MoM	1 May	Apr	--	--	--	0.38%

## Most recent Latam reports

Date	Description
29-04-2014	<a href="#">➤ Mexico Real Estate Flash: Mortgage lending by banks grew 17.4% in February</a>
28-04-2014	<a href="#">➤ Banxico Flash: Fondo rate remains at 3.5%. Banxico tamed its dovish tone by indicating that economic activity improved marginally</a>
28-04-2014	<a href="#">➤ Colombia Automotive Outlook 2013</a>
25-04-2014	<a href="#">➤ Banxico Flash: Policy rate unchanged at 3.5%. Banxico points to a marginal improvement in activity, softening the dovish tone of the previous statement (in Spanish)</a>
25-04-2014	<a href="#">➤ Colombia Flash: 'Banco de la República' increased its monetary policy rate by 25pb to 3.50%</a>
24-04-2014	<a href="#">➤ Banxico Flash: Banxico will maintain rates at 3.5% and its dovish tone given lower-than-expected economic activity figures (in Spanish)</a>
24-04-2014	<a href="#">➤ Mexico Real Estate Flash: Banks' mortgage financing grew 17.4% in February (in Spanish)</a>
24-04-2014	<a href="#">➤ Chile Flash: We do not expect April CPI to surprise expectations reflected in surveys and asset prices (in Spanish)</a>
23-04-2014	<a href="#">➤ Colombia Automobile Market Outlook 2013 (in Spanish)</a>
23-04-2014	<a href="#">➤ Chile Economic Watch: Competitiveness of manufacturing exports</a>

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