

Latam Daily Flash

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Economic Analysis

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In Chile fiscal results showed high expenditure during 1Q14, mainly due to public investment. Meanwhile, in Mexico the IMEF activity indicators for both manufacturing and non-manufacturing surprised to the downside although remaining in the expansion zone (above 50).

Peru - April inflation reflected seasonal and supply factors

Headline inflation increased 0.4% MoM in April, which was linked to seasonal and supply factors that mainly affected the price of some foods, transportation costs and electricity tariffs. With this, annual inflation stood at 3.5% and remained above the target range (2% +/- 1pp) for the fourth consecutive month. We estimate that in the coming months inflation will gradually converge to this range and will re-enter it in the third quarter (see our [Peru Flash](#) for more details).

Chile - 1Q14 fiscal report showed higher expenditure growth

The results of the 1Q14 fiscal report are in line with our forecast of higher expenditure growth this year, supported by increases in public investment. In this context, public expenditure rose to 9.1% YoY while public investment grew 12.4% YoY, attenuating the decline in private investment we expect this year. On the other hand, fiscal revenues fell by 0.9% YoY, mainly due to economic deceleration. All in all, we still expect a fiscal deficit of around 2% of GDP for this year (see our [Chile Flash](#) - in Spanish - for more details).

Mexico - Both the IMEF manufacturing and non-manufacturing indices surprised to the downside

The IMEF manufacturing activity indicator surprised to the downside in April, decreasing to 51.1 sa (BBVAe: 53.7; consensus: 53.5) from 52.7 sa in March. Meanwhile, the non-manufacturing index was also worse than expected, decreasing slightly to 50.6 sa (BBVAe: 51.1; consensus 51.2) from the March figure (51.2 sa). These data suggest that early in the second quarter, the pace of expansion in economic activity may still be more moderate than we expected.

Mexico - Remittances to Mexico expanded by more than expected in March

Remittances to Mexico reached USD2,055.9mn in March (+22.4 MoM), increasing 16.0% in annual terms, an improvement on the already healthy annual rates seen at the start of 2014 (8.8% in January 2014 and 5.7% in February 2014). The positive performance is related to the increase in the number of Mexican immigrants with jobs in the United States, that rose 1.3% QoQ in 1Q14.

Mexico - Details of secondary legislation in energy sector presented to the Senate

The government of Mexico gave the Senate its proposed secondary legislation on Energy Reform which would change 13 laws and create eight new ones. Some of the main points are regarding transparency; licensing agreements, joint production and tenders for services that will be subject to Mexican law and awarded to the most competitive private-sector bid. Pemex's tax burden would be reduced from 79% of profits at present to less than 65% in 10 years from now. The proposed legislation states that Pemex must have a minimum of 25% of national partners, and those participants and Mexican suppliers have preference over foreigners. The proposed secondary legislation was passed to the Senate on the last day of the regular session, and will be debated in special sessions in the coming weeks.

What to watch today

Chile – Monthly economic activity index (March, 08:30hrs NYT)

We expect the monthly economic activity index (Imacec) to have increased 2.7% YoY in March (consistent with a decline in sa measures). As activity data by sector revealed, the print should be mainly driven by retail sales.

Chile – Monetary policy minutes (April, 08:30hrs NYT)

Minutes should shed light on the board's discussion that finally kept the policy rate unchanged at 4% in April's meeting. Although a majority of the board members were of the opinion that the recent acceleration in inflation should be read as a transitory phenomenon, worries remain over the possibility of second-round effects on inflation perspectives. Nonetheless, we think the deceleration in domestic activity and the related widening output gap is likely to prevail in the board's long-term inflation expectation assessment in coming months. The latter would pave the way to the further easing that we expect from May's monetary policy meeting.

Colombia – Consumer price index (May, 19:00hrs NYT)

We are expecting a variation of 0.28% MoM and 2.50% YoY, mainly driven by food and transport costs. The recent upswing in prices has been driven by supply shocks. Core inflation has risen slowly during 2014 and we are looking for it to come slightly above its 2014 average (2.6%), supported by an economy that is gaining strength. We have changed our forecast for 2014 from 2.9% to 3.1%, due to the food shock in 1Q14.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV CPI IPC-S	5 May	Apr	0.71%	--	--	0.78%
FIPE CPI - Monthly	6 May	Apr	0.53%	--	--	0.74%
PPI Manufacturing MoM	6 May	Mar	--	--	--	0.51%
HSBC Brazil Composite PMI	6 May	Apr	--	--	--	51.0
HSBC Brazil Services PMI	6 May	Apr	--	--	--	51.0
CNI Capacity Utilization (SA)	6 May	Mar	--	--	--	82.6%
FGV Inflation IGP-DI MoM	7 May	Apr	0.60%	--	--	1.48%
Industrial Production MoM	7 May	Mar	-1.95%	-0.8%	--	0.4%
FGV CPI IPC-S	8 May	May	--	--	--	--
IGP-M Inflation 1st Preview	9 May	May	0.40%	--	--	0.72%
IBGE Inflation IPCA MoM	9 May	Apr	0.80%	0.72%	--	0.92%
Vehicle Exports Anfavea	9 May	Apr	--	--	--	23592
Chile						
Economic Activity MoM	5 May	Mar	0.2%	-0.3%	--	0.2%
Central Bank Meeting Minutes	5 May	--	--	--	--	--
Trade Balance	7 May	Apr	\$1150	\$1087	--	\$1702
Real Wage MoM	7 May	Mar	--	--	--	-0.2%
CPI MoM	8 May	Apr	0.2%	0.2%	--	0.8%
CPI Core MoM	8 May	Apr	0.2%	0.2%	--	0.7%
Colombia						
PPI MoM	5 May	Apr	--	--	--	1.71%
CPI MoM	5 May	Apr	0.32%	0.24%	--	0.39%
CPI Core MoM	5 May	Apr	--	0.11%	--	0.31%
Exports FOB	6 May	Mar	\$4569,0	\$4500	--	\$4271.4
Colombia Monetary Policy Minutes	9 May	--	--	--	--	--
Mexico						
Consumer Confidence Index	6 May	Apr	90.0	91.3	--	88.8
CPI MoM	8 May	Apr	-0.13%	-0.10%	--	0.27%
CPI Core MoM	8 May	Apr	0.36%	0.34%	--	0.21%
Bi-Weekly CPI	8 May	Apr	0.10%	0.13%	--	-0.19%
Bi-Weekly Core CPI	8 May	Apr	0.07%	0.03%	--	0.26%
Vehicle Production AMIA	8 May	Apr	--	--	--	277314
Gross Fixed Investment	9 May	Feb	-1.7%	--	--	-2.4%
Central Bank Monetary Policy Minutes	9 May	--	--	--	--	--
Nominal Wages	9 May	Apr	--	--	--	4.4%
Peru						
Reference Rate	8 May	May	4.00%	--	--	4.00%
Trade Balance	9 May	Mar	-\$325M	--	--	\$114M

Most recent Latam reports

Date	Description
02-05-2014	> Colombia Economic Watch: Industry's competitiveness has gone down since 2008 (in Spanish)
02-05-2014	> Peru Flash: April inflation reflected seasonal and supply factors
01-05-2014	> Chile Flash: Budget execution recovered in the first quarter, paving the way for public investment to contribute to growth offsetting weak private investment (in Spanish)
30-04-2014	> Chile Flash: Activity data by sector anticipates Imacec at 2.7% YoY in March
29-04-2014	> Mexico Real Estate Flash: Mortgage lending by banks grew 17.4% in February
28-04-2014	> Banxico Flash: Fondeo rate remains at 3.5%. Banxico tamed its dovish tone by indicating that economic activity improved marginally
28-04-2014	> Colombia Automotive Outlook 2013
25-04-2014	> 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)
25-04-2014	> Colombia Flash: 'Banco de la República' increased its monetary policy rate by 25pb to 3.50%
24-04-2014	> Banxico Flash: Banxico will maintain rates at 3.5% and its dovish tone given lower-than-expected economic activity figures (in Spanish)

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