

Latam Daily Flash

15 May 2014

Economic Analysis

Madrid

Juan Ruiz

Chief Economist, South America

juan.ruiz@bbva.com

+34 91 3745887

Enestor dos Santos

Principal Economist, Latam

enestor.dossantos@bbva.com

+34 639827211

Cecilia Posadas

Economist, Latam

c.posadas@bbva.com

+34 91 3746279

Pablo Urbiola

pablo.urbiola@bbva.com

+34 91 8072457

With contributions from the BBVA
Research Latam Team:

Lima

Hugo Perea

Chief Economist, Peru

hugo.perea@bbva.com

+51 1 2112042

Bogota

Juana Tellez

Chief Economist, Colombia

juana.tellez@bbva.com

+571 3471600

Santiago

Jorge Selaive

Chief Economist, Chile

jselaive@bbva.com

+56 2 2939 10 92

Mexico City

Carlos Serrano

Chief Economist, Mexico

carlos.serrano@bbva.com

+5255 5621 4354

Javier Amador

Principal Economist, Mexico

javier.amador@bbva.com

+5255 5621 3095

We now expect the Latam region to grow 2.3% and 2.5% in 2014 and 2015, respectively, marked by China's slowdown

Yesterday we released our *Latam Economic Outlook 2Q14* ([available in Spanish](#)), where we revise downwards the growth forecasts for the region from 2.6% to 2.3% in 2014 and from 2.7% to 2.5% in 2015, marked by China's slowdown, lower commodity prices and the tapering of the Fed. However, we continue to see strong heterogeneity among countries and the Pacific Alliance as a whole will grow close to 4% in both years, more than double the rates in Mercosur. Fiscal outlook has worsened for the region due to the slowdown in domestic demand, but deficits remain, in general, manageable.

Chile - Traders expect a pause in policy rates at today's meeting

The trader's survey for the first half of May came out with inflation estimates for May at around +0.3% MoM (BBVAe: +0.2% MoM). The results also revealed expectations of a pause at 4.0% in the policy rate at today's meeting according to 78% of the respondents (in line with our view). Yet, 57% of the respondents expect a 25bp cut to 3.75% on a three-month horizon. Long-term inflation expectations remained well-anchored to the central bank's target of 3%. Lastly, traders forecast the currency to reach USDCLP 560 on a 3-month horizon, which will represent a mild depreciation.

Colombia - Consumer confidence moves higher in April

Consumer confidence stood at 17.9 in April (in a range between -100 and 100), slightly above March's level (17.5). However, their outlook for the next year declined, breaking its upward trend of the two previous months. In contrast, consumers assessed current business more favorably than in March, reflecting a higher willingness to buy durable goods and an improved labor market. All in all, consumer optimism supports our base scenario which anticipates consumption and GDP reaching their fastest pace on the first half of 2014.

Colombia - Industrial production and retail sales stronger than expected

In March, industrial production grew 9.8% YoY, mainly explained by a working days' effect. However, once the production is adjusted by the seasonal effect, processed food and beverages, leather and footwear sectors show a notably increase. On the contrary, oil derivatives had a poor performance due to environmental restrictions and supply shocks in distribution of oil. Meanwhile, retail sales reached a 24-month high of 8.3% YoY, with a strong contribution of car sales and other durable goods. These results imply an upward bias in our outlook in non-residential private investment and private consumption for the first half of 2014.

What to watch today

Brazil - Retail sales (March, 8:00hrs NYT)

We expect retail sales to lose momentum after having grown 0.4% MoM and 0.2% MoM in January and February, respectively, and to remain unchanged (0.0% MoM) in March. We expect the broad retail index to drop sharply for the second month in a row, following the slowdown in vehicles sales. All in all, retail sales data should paint a picture of continued moderation in private consumption following the partial exhaustion of labor and credit markets as well as the impact of higher inflation, tighter monetary conditions and declining confidence.

Chile - Monetary policy meeting (May, 18:00hrs NYT)

We expect the monetary policy rate to remain steady (at 4.0%) at today's meeting. In our view, this option will prevail in the Board arguments, taking into account the the recent upward surprises in inflation figures. In this context, monetary policy decisions in the coming months will remain data-dependent, although we believe that further monetary stimulus will be needed during the rest of the year.

Peru - GDP (March, 12:00hrs NYT)

We estimate GDP grew 5.4% YoY in March, a somewhat slower pace than the previous month (5.7% in February), driven by supply factors that slowed the expansion of mining and construction. As opposed to the mining and construction slowdown, benefited by the effect of two additional working days in comparison to the same month last year (due to the Easter holidays), the manufacturing and trade and services sectors boosted economic activity.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	12 May	May	0.49%	--	0.45%	0.57%
Formal Job Creation Total	15 May	Apr	144764	--	--	13117
FGV Inflation IGP-10 MoM	15 May	May	0.29%	--	--	1.19%
Retail Sales MoM	15 May	Mar	0.0%	0.0%	--	0.2%
FGV CPI IPC-S	16 May	May	0.80%	--	--	0.84%
Economic Activity MoM	16 May	Mar	0.00%	-0.20%	--	0.24%
Chile						
Overnight Rate Target	15 May	May	4.00%	4.00%	--	4.00%
Colombia						
Exports FOB	12 May	Mar	\$4541,0	\$4500	\$4407,9	\$4271.4
Consumer Confidence Index	14 May	Apr	20.5	22.0	17.9	17.5
Retail Sales YoY	14 May	Mar	6.2%	6.8%	8.3%	6.7%
Industrial Production YoY	14 May	Mar	8.9%	7.3%	9.8%	2.8%
Mexico						
Industrial Production YoY	12 May	Mar	3.0%	1.84%	3.43%	0.5%
Industrial Production MoM	12 May	Mar	0.3%	0.93%	-0.13%	0.3%
ANTAD Same-Store Sales YoY	12 May	Apr	1.5%	-0.6%	2.4%	-2.4%
Peru						
Economic Activity YoY	15 May	Mar	5.9%	--	--	5.7%
Unemployment Rate	15 May	Apr	6.4%	--	--	6.9%

Most recent Latam reports

Date	Description
14-05-2014	➤ Latam Economic Outlook: Second Quarter 2014 (in Spanish)
14-05-2014	➤ Latin America: the shadow of China (presentation in Spanish)
13-05-2014	➤ Chile Economic Watch: Fiscal policy: more expansive than expected
13-05-2014	➤ Mexico Economic Watch: Secondary legislation on energy will boost oil revenues if the private sector decidedly becomes involved (in Spanish)
13-05-2014	➤ Mexico Banking Flash: Credit to the private sector: the first quarter closed with 8.5% growth
13-05-2014	➤ Mexico Banking Flash: Bank Deposits strengthen driven by demand deposits (in Spanish)
12-05-2014	➤ Mexico Banking Flash: Credit to the private sector ended the first quarter with growth of 8.5% (in Spanish)
12-05-2014	➤ Mexico Flash: There are signs that economic activity has started to improve
09-05-2014	➤ Mexico Flash: There are signs that suggest that economic activity has started to improve (in Spanish)
09-05-2014	➤ Mexico Economic Watch: Mexican manufacturing exports gained competitiveness in 2002-2012

Important Disclosures

The BBVA Group companies that have participated in preparing or contributed information, opinions, estimates, forecasts or recommendations to this report are identified by the location(s) of the author(s) listed on the first page as follows: 1) Madrid, London or Europe - Banco Bilbao Vizcaya Argentaria, S.A., including its E.U. branches (hereinafter called 'BBVA'), 2) Mexico City - BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer (hereinafter called 'BBVA Bancomer'); 3) New York - BBVA Securities, Inc. (hereinafter called 'BBVA Securities'); 4.) Lima - BBVA Continental S.A.; 5.) Bogota - BBVA Colombia S.A.; 6.) Santiago - BBVA Chile S.A.

For recipients in the European Union, this document is distributed by BBVA, a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), and registered with the Bank of Spain with number 0182.

For recipients in Mexico, this document is distributed by BBVA Bancomer, a bank supervised by the Comisión Nacional Bancaria y de Valores de México.

For recipients in USA, this document is being distributed by BBVA Securities, a subsidiary of BBVA registered with and supervised by the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation. U.S. persons wishing to execute any transactions should do so only by contacting a representative of BBVA Securities in the U.S. Unless local regulations provide otherwise, non-U.S. persons should contact and execute transactions through a BBVA branch or affiliate in their home jurisdiction.

BBVA and BBVA Group companies or affiliates (art. 42 of the Royal Decree of 22 August 1885 Code of Commerce), are subject to the BBVA Group Policy on Conduct for Security Market Operations which establishes common standards for activity in these entities' markets, but also specifically for analysis and analysts. This BBVA policy is available for reference at the following web site: www.bbva.com.

Analysts residing outside the U.S. who have contributed to this report are not registered with or qualified as research analysts by FINRA or the New York Stock Exchange and may not be considered "associated persons" of BBVA Securities (as such term is construed by the rules of FINRA). As such, they are not subject to NASD Rule 2711 restrictions on communications with subject companies, public appearances and trading of securities held in research analysts' accounts.

BBVA is subject to a Code of Conduct for Security Market Operations, which details the standards of the above-mentioned overall policy for the EU. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code of Conduct for Security Market Operations is available for reference in the 'Corporate Governance' section of the following web site: www.bbva.com.

BBVA Bancomer is subject to a Code of Conduct and to Internal Standards of Conduct for Security Market Operations, which details the standards of the above-mentioned overall policy for Mexico. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. This Code and the Internal Standards are available for reference in the 'Grupo BBVA Bancomer' subsection of the 'Conócenos' menu of the following web site: www.bancomer.com.

BBVA Securities is subject to a Capital Markets Code of Conduct, which details the standards of the above-mentioned overall policy for USA. Among other regulations, it includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers.

Exclusively for Recipients Resident in Mexico

BBVA Bancomer S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer acts as a market maker/specialist in: MexDer Future Contracts (US dollar [DEUA], 28-day TIIEs [TE28], TIIE Swaps, 91-day CETES [CE91]), Bonos M, Bonos M3, Bonos M10, BMV Price and Quotations Index (IPC), Options Contracts (IPC, shares in América Móvil, Cemex, CPO, Femsa UBD, Gcarso A1, Telmex L) and Udibonos.

BBVA Bancomer, and, as applicable, its affiliates within BBVA Bancomer Financial Group, may hold from time to time investments in the securities or derivative financial instruments with underlying securities covered in this report, which represent 10% or more of its securities or investment portfolio, or 10% or more of the issue or underlying of the securities covered.

DISCLAIMER

This document and the information, opinions, estimates and recommendations expressed herein, have been prepared by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter called "BBVA") to provide its customers with general information and are current as of the date of issue and subject to changes without prior notice. BBVA is not liable for giving notice of such changes or for updating the contents hereof.

This document and its contents do not constitute an offer, invitation or solicitation to purchase or subscribe to any securities or other instruments, or to undertake or divest investments. Neither shall this document nor its contents form the basis of any contract, commitment or decision of any kind.

Investors who have access to this document should be aware that the securities, instruments or investments to which it refers may not be appropriate for them due to their specific investment goals, financial positions or risk profiles, as these have not been taken into account to prepare this report. Therefore, investors should make their own investment decisions considering the said circumstances and obtaining such specialized advice as may be necessary. The contents of this document are based upon information available to the public that has been obtained from sources considered to be reliable. However, such information has not been independently verified by BBVA and therefore no warranty, either express or implicit, is given regarding its accuracy, integrity or correctness. BBVA accepts no liability of any type for any direct or indirect losses arising from the use of the document or its contents. Investors should note that the past performance of securities or instruments or the historical results of investments do not guarantee future performance.

The market prices of securities or instruments or the results of investments could fluctuate against the interests of investors. Investors should be aware that they could even face a loss of their investment. Transactions in futures, options and securities or high-yield securities can involve high risks and are not appropriate for every investor. Indeed, in the case of some investments, the potential losses may exceed the amount of initial investment and, in such circumstances, investors may be required to pay more money to support those losses. Thus, before undertaking any transaction with these instruments, investors should be aware of their operation, as well as the rights, liabilities and risks implied by the same and the underlying stocks. Investors should also be aware that secondary markets for the said instruments may be limited or even not exist.

BBVA or any of its affiliates, as well as their respective executives and employees, may have a position in any of the securities or instruments referred to, directly or indirectly, in this document, or in any other related thereto; they may trade for their own account or for third-party account in those securities, provide consulting or other services to the issuer of the aforementioned securities or instruments or to companies related thereto or to their shareholders, executives or employees, or may have interests or perform transactions in those securities or instruments or related investments before or after the publication of this report, to the extent permitted by the applicable law.

BBVA or any of its affiliates' salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to its clients that reflect opinions that are contrary to the opinions expressed herein. Furthermore, BBVA or any of its affiliates' proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. No part of this document may be (i) copied, photocopied or duplicated by any other form or means (ii) redistributed or (iii) quoted, without the prior written consent of BBVA. No part of this report may be copied, conveyed, distributed or furnished to any person or entity in any country (or persons or entities in the same) in which its distribution is prohibited by law. Failure to comply with these restrictions may breach the laws of the relevant jurisdiction.

In the United Kingdom, this document is directed only at persons who (i) have professional experience in matters relating to investments falling within article 19(5) of the financial services and markets act 2000 (financial promotion) order 2005 (as amended, the "financial promotion order"), (ii) are persons falling within article 49(2) (a) to (d) ("high net worth companies, unincorporated associations, etc.") Of the financial promotion order, or (iii) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the financial services and markets act 2000) may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This document is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons. The remuneration system concerning the analyst/s author/s of this report is based on multiple criteria, including the revenues obtained by BBVA and, indirectly, the results of BBVA Group in the fiscal year, which, in turn, include the results generated by the investment banking business; nevertheless, they do not receive any remuneration based on revenues from any specific transaction in investment banking.

BBVA is not a member of the FINRA and is not subject to the rules of disclosure affecting such members.

BBVA is subject to the BBVA Group Code of Conduct for Security Market Operations which, among other regulations, includes rules to prevent and avoid conflicts of interests with the ratings given, including information barriers. The BBVA Group Code of Conduct for Security Market Operations is available for reference at the following web site: www.bbva.com / Corporate Governance".

BBVA is a bank supervised by the Bank of Spain and by Spain's Stock Exchange Commission (CNMV), registered with the Bank of Spain with number 0182.