

# Latam Daily Flash

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**Economic Analysis**

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*The unemployment rate in Brazil was lower than we expected, reflecting more of a reduction in the rate of participation rate than an increase in job-creation, in line with declining private consumption. Today we should see the release of GDP 1Q14 in Mexico, which we expect to confirm the slow recovery of the economy and which could imply a downwards revision to our forecast.*

## Mexico - Inflation remains low and under control

Headline inflation decreased 0.37% FoF in the first fortnight of May. This was pretty much in line with expectations and exactly in line with our below-consensus forecast (BBVAe: -0.37%; consensus: -0.36%). In annual terms, in the second fortnight of April headline inflation decreased to 3.44% from 3.47%. Core inflation increased 0.06% FoF, slightly less than consensus expectations (BBVAe: 0.11%; consensus: 0.11%). The surprise was mainly driven by the other services component, which fell a touch more than expected (-0.14% FoF), and to a lesser extent by a smaller than expected increase in the other goods component (0.02% FoF). In annual terms, core inflation decreased to 2.97% from 3.11% in the second fortnight of April (see our [Mexico Inflation Flash](#) for more details).

## Brazil - Unemployment reached 4.9% in April

The unemployment rate declined to 4.9% in April from 5.0% in March and 5.8% in April 2013. This is the lowest rate for the period since the current series started being released in 2002. As in most of the previous months, the figure was better than expected (BBVAe: 5.1%; consensus: 5.2%). The strikingly low unemployment rate mostly reflects a reduction in the participation rate, as there are fewer people looking for a job, rather than by an expansion in employment (only 0.2% YoY in April vs. 0.9% YoY in April of 2013 and 1.8% YoY in April of 2012). If the participation rate, which reached 55.7% in April (the lowest figure since 2003), had stayed constant at the value recorded in the same month last year (56.9%), the unemployment rate in April would have been 6.9%. Therefore, even though the unemployment rate remains at very low levels, little new employment is being generated and this is in line with weaker private consumption.

## What to watch today

### Mexico - GDP growth (1Q14, 09:00hrs NYT)

We expect the quarterly growth rate to come in at 0.64% sa. After quarterly growth of 0.2% in the fourth quarter of 2013, an economic acceleration is expected, although slower than we anticipated earlier. The main factors behind our forecast are the resilience of the services sector, partially offset by industrial production weakness in 2014 to date (-0.2% YoY sa). If this forecast is confirmed, we will revise downwards our economic growth scenario for 2014 (3.4% YoY).

### Brazil - Balance of payments report (April, 09:30hrs NYT)

A very low trade surplus in April should continue to weigh on the current account deficit, which we estimate will have reached around USD6bn in April and 3.5%-3.6% of GDP in the last 12 months. On the other hand, capital flows - both IED and portfolio - should have been relatively robust in April.

## Colombia - Imports and trade balance (March, 17:00hrs NYT)

We expect slight (4.6%) growth in imports, to USD4,693mn. Exchange-rate depreciation is partly responsible for the slow momentum of imports, despite the robust performance of retail sales and consumption in general. Meanwhile, deteriorating exports due to lower international commodities prices, and local export supply constraints are likely to be reflected in a small trade deficit of USD68mn during March.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FIPE CPI - Weekly	19 May	May	0.40%	--	0.42%	0.45%
CNI Industrial Confidence	19 May	May	--	--	48.0	49.2
Formal Job Creation Total	21 May	Apr	160000	--	105384	13117
IBGE Inflation IPCA-15 MoM	21 May	May	0.55%	0.56%	0.58%	0.78%
Unemployment Rate	22 May	Apr	5.15%	5.1%	4.9%	5.0%
FGV Consumer Confidence	23 May	May	--	--	--	106.3
FGV CPI IPC-S	23 May	May	--	--	--	0.78%
Current Account Balance	23 May	Apr	-\$6500M	--	--	-\$6248M
Foreign Investment	23 May	Apr	\$5450M	--	--	\$4995M
<b>Chile</b>						
GDP QoQ	19 May	1Q	0.60%	0.6%	0.70%	-0.10%
Current Account Balance	19 May	1Q	-\$150M	\$650M	-\$795M	-\$2430M
PPI MoM	23 May	Apr	--	--	--	-2.9%
<b>Colombia</b>						
Trade Balance	23 May	Mar	-\$322.1M	-\$68	--	-\$505.6M
Imports CIF Total	23 May	Mar	\$4937M	\$4693	--	\$5003.5M
Vehicle Sales	23 May	Apr	--	--	--	26418
<b>Mexico</b>						
Retail Sales YoY	21 May	Mar	-1.1%	-1.9%	1.7%	-1.7%
Central Bank Inflation Report	21 May	--	--	--	--	--
Unemployment Rate NSA	22 May	Apr	4.82%	4.96%	4.84%	4.80%
Bi-Weekly CPI	22 May	May	-0.38%	-0.37%	-0.37%	-0.05%
Bi-Weekly CPI YoY	22 May	May	3.44%	3.44%	3.44%	3.47%
Economic Activity IGAE YoY	23 May	Mar	3.45%	2.93%	--	1.74%
GDP SA QoQ	23 May	1Q	0.6%	0.64%	--	0.2%
Current Account Balance	23 May	1Q	-\$5990M	-\$5300M	--	-\$4660M

## Most recent Latam reports

Date	Description
22-05-2014	<a href="#">➤ Brazil Economic Outlook: growth will be no higher than 2% in both 2014 and 2015</a>
22-05-2014	<a href="#">➤ Uruguay Automobile Market Outlook 2014 (in Spanish)</a>
22-05-2014	<a href="#">➤ Mexico Inflation Flash: Inflation remains under control</a>
21-05-2014	<a href="#">➤ Colombia Economic Outlook: Second Quarter 2014 (in Spanish)</a>
21-05-2014	<a href="#">➤ Paraguay Economic Outlook: First Half 2014 (in Spanish)</a>
21-05-2014	<a href="#">➤ Financial Inclusion Economic Watch: The Financial Inclusion Law in Uruguay</a>
20-05-2014	<a href="#">➤ Financial Inclusion Economic Watch: Analyzing the Uruguayan Law on Financial Inclusion (in Spanish)</a>
19-05-2014	<a href="#">➤ Chile Flash: GDP grew 2.6% YoY in 1Q14 above market expectations</a>
19-05-2014	<a href="#">➤ Mexico Insurance Observatory: Mexican insurance market is the second largest in Latin America (in Spanish)</a>
19-05-2014	<a href="#">➤ Mexico Real Estate Flash: Mortgage banking grew 18.7% to the end of the first quarter</a>

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