

Latam Daily Flash

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Economic Analysis

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We estimate that public spending and the improvement in the US economy will impact the rest of the year in Mexico, and continue into 2015, while structural reforms could start to yield their first results, which would be reflected in an increase of around 3.5% YoY. In Colombia, positive news regarding imports and confidence are in line with a recovery on the industrial front.

Mexico – Mexico's economy recovered less than forecast in 1Q14

GDP growth surprised to the downside in the first quarter. The economy grew 0.3% QoQ sa (BBVAe: 0.6%; consensus: 0.6%) as a result of weaker than expected economic growth in the US and negative effects on consumption and investment due to the tax increases. The pace of recovery in industrial activity remains soft while the improvement in the services sector remains modest. After this report, we have revised downwards our GDP forecast for 2014 from 3.4% to 2.5%. This forecast anticipates a strong acceleration from 2Q14 onwards (see [Flash PIB México](#) in Spanish).

Colombia – Imports anticipate recovery in the industrial sector

In March, imports grew 9.4% YoY, boosted by capital goods and raw materials for the industrial sector and fuel oil from the United States. The former is explained by a recovery in manufacturing and the latter by environmental regulations imposed on diesel fuel (Air Quality Act). On the other hand, the trade deficit reached USD276mn, taking the accumulated deficit for the first quarter to USD591mn. The results imply a downside risk to our current account forecast, which at present is for a deficit of 3.2% of GDP for 2014.

Colombia – Industrial confidence remains in positive territory

In April, industrial confidence stood at 4.1 (in a range between -100 and 100), despite increased inventories as they were offset by higher orders and a better 3-month ahead expectation for production in the sector. In line with the better results in March for industrial production and imports, the confidence index also confirms the recovery of the manufacturing sector. On the other hand, retail confidence stood at 26.2, slightly below the March figure (28.8). However, this level is consistent with a good performance of private consumption, as anticipated by our outlook.

Brazil – Balance of payments data

The improvement in the balance of trade in April (a surplus of USD0.5bn vs. an average deficit of USD2.0bn in the first three months of the year) was not enough to drive the current account deficit lower in the period. More precisely, the external deficit reached USD8.3bn in April, similar to the USD8.4bn average of the first three months of the year and above expectations. Accordingly, the deficit accumulated in the last twelve months remained stable at 3.65% of GDP. The surplus in the financial and capital accounts was high enough (USD9.9bn in April) to compensate for the current account deficit, mostly due to robust FDI and portfolio inflows. Looking ahead, we expect some gradual improvement in the balance of trade to prevent any further deterioration of the current account.

What to watch today

Today no relevant economic data are released. Later in the week we will look at the publication of GDP data and monetary policy decision in Brazil, industry activity and sales in Chile and monetary policy in Colombia, among others.

Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Tax Collections	26 May	Apr	105400M	--	--	86621M
FIPE CPI - Weekly	27 May	May	0.40%	--	--	0.42%
FGV Construction Costs MoM	27 May	May	1.39%	--	--	0.67%
Serasa Business Credit Delinquencies	27 May	--	--	--	--	--
Federal Debt Total	27 May	Apr	--	--	--	2081B
PPI Manufacturing MoM	28 May	Apr	--	--	--	-0.22%
Selic Rate	28 May	May	11.00%	11,00%	--	11.00%
FGV Inflation IGPM MoM	29 May	May	-0.01%	--	--	0.78%
Outstanding Loans MoM	29 May	Apr	--	--	--	1.0%
Total Outstanding Loans	29 May	Apr	--	--	--	2760B
CNI Consumer Confidence	29 May	May	--	--	--	108.7
GDP QoQ	30 May	1Q	0.2%	0,5%	--	0.7%
Primary Budget Balance	30 May	Apr	16,2B	--	--	3.6B
Chile						
Central Bank's Traders Survey	28 May	May	--	--	--	--
Manufacturing Index YoY	30 May	Apr	--	-3.1%	--	0.8%
Unemployment Rate	30 May	Apr	6.7%	6.7%	--	6.5%
Copper Production Total	30 May	Apr	--	481418	--	485614
Retail Sales YoY	30 May	Apr	--	3.0%	--	5.2%
Colombia						
Vehicle Sales	26 May	Apr	--	--	--	26418
National Unemployment Rate	30 May	Apr	--	--	--	9.7%
Overnight Lending Rate	30 May	May	3.75%	3.50%	--	3.50%
Budget Balance	30 May	Apr	--	--	--	-\$3048B
Mexico						
Trade Balance	26 May	Apr	-433.0M	-877.0M	--	1026.6M
Budget Balance YTD	30 May	Apr	--	--	--	-61.9B
Peru						
GDP YoY	26 May	1Q	4.8%	4.8%	--	5.2%
Peru to rebase GDP Indicators	26 May	--	--	--	--	--
CPI MoM	1 Jun	May	--	--	--	0.39%
Wholesale Price Index MoM	1 Jun	May	--	--	--	0.06%

Most recent Latam reports

Date	Description
23-05-2014	➤ Mexico GDP Flash: BBVA Bancomer downgrades growth forecast for 2014 to 2.5% and raises forecast for 2015 to 3.5% (in Spanish)
22-05-2014	➤ Brazil Economic Outlook: growth will be no higher than 2% in both 2014 and 2015
22-05-2014	➤ Uruguay Automobile Market Outlook 2014 (in Spanish)
22-05-2014	➤ Mexico Inflation Flash: Inflation remains under control
21-05-2014	➤ Colombia Economic Outlook: Second Quarter 2014 (in Spanish)
21-05-2014	➤ Paraguay Economic Outlook: First Half 2014 (in Spanish)
21-05-2014	➤ Financial Inclusion Economic Watch: The Financial Inclusion Law in Uruguay
20-05-2014	➤ Financial Inclusion Economic Watch: Analyzing the Uruguayan Law on Financial Inclusion (in Spanish)
19-05-2014	➤ Chile Flash: GDP grew 2.6% YoY in 1Q14 above market expectations
19-05-2014	➤ Mexico Insurance Observatory: Mexican insurance market is the second largest in Latin America (in Spanish)

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