

## ECONOMIC ANALYSIS

## Credit in Brazil continued to moderate in April, in line with the slowdown in economic activity

Chile Unit / Colombia Unit / Latin America Unit

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In Brazil, the slowdown in credit in the first months of the year was particularly significant in the public sector while the private sector remains stagnant at low levels. Also in Brazil, today we are awaiting data on 1Q14 GDP which we expect to come in at 0.5% QoQ. In Colombia, we expect the central bank to keep the policy rate on hold until June at today's monetary policy meeting, pending further evidence on the state of the economy.

### Brazil – Decelerating momentum in credit markets

The April credit report released by the BCB showed that credit markets continued to lose momentum, providing less support to economic activity. This adds to the evidence provided by other indicators that suggest that economic activity continued to decelerate at the beginning of the second quarter. The overall credit stock grew by 13.4% YoY in April in comparison to 13.7% YoY in March, 14.7% YoY at the end of 2013 and 16.3% YoY a year ago. Credit from public banks continues to slow (20.5% YoY in April), but as a consequence of the fragility of private credit (only 6.6% YoY, practically 0% in real terms), its market share continues to increase (52.2% of total). Lending rates remained stable at 21.1% in spite of the recent hikes in the Selic rate, but the average term of loans declined to 95 from 104 days.

## What to watch today

### Brazil – GDP (1Q14, 08:00hrs NYT)

We expect GDP growth to have slowed in 1Q14 in line with the less expansive tone of economic policies and declining confidence. We forecast GDP to have expanded 0.5% QoQ in 1Q14, compared to 0.7% QoQ in 4Q13. Recent data actually show that the slowdown in economic activity at the beginning of the year could have been steeper than expected. Therefore, we would not be surprised if growth is below our forecast.

### Chile – Activity data by sector (April, 09:00hrs NYT)

We expect retail sales to decelerate and reach +3.0% YoY in April, while manufacturing output should decline by 3.1% YoY. Finally, we expect mining production to have grown by around 9% YoY in the month.

### Chile – Unemployment rate (April, 09:00hrs NYT)

We expect the unemployment rate to have increased by 6.7% in April. Labour force expansion should fully offset the improvement in job-creation, as the latter is already decelerating. Finally, we still expect changes in the composition of employment towards more self-employed.

### Colombia – Unemployment rate (April, 12:00hrs NYT)

We are forecasting an urban unemployment rate of 10.2% (a 0.6pp decrease YoY), similar to last month's figure (seasonally-adjusted). The job-creation figure (YoY) should be similar to 1Q14's and in line with our expectations for activity for 2Q14.

## Colombia – Monetary policy rate decision (aprox. 13:00hrs NYT)

Colombia's central bank board of directors will meet today and decide whether to continue normalising monetary conditions by further hiking its monetary policy rate or to leave it unaltered at 3.50%. We expect rates to remain unchanged until the June meeting, following the board's announcement of a gradual normalisation of monetary conditions and more robust information about 1Q14 economic growth. However, consensus expectations are that interest rates will be raised by 25bp today to 3.75%.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
<b>Tax Collections</b>	26 May	A pr	105400M	--	105884M	86621M
<b>FIPE CPI - Weekly</b>	27 May	May	0.40%	--	0.36%	0.42%
<b>FGV Construction Costs MoM</b>	27 May	May	1.39%	--	1.37%	0.67%
<b>Serasa Business Credit Delinquencies</b>	27 May	--	--	--	--	--
<b>Federal Debt Total</b>	27 May	A pr	--	--	2053B	2081B
<b>PPI Manufacturing MoM</b>	28 May	A pr	--	--	-0.38%	-0.22%
<b>Selic Rate</b>	28 May	May	11.00%	11,00%	11.00%	11.00%
<b>FGV Inflation IGPM MoM</b>	29 May	May	-0.01%	--	-0.13%	0.78%
<b>Outstanding Loans MoM</b>	29 May	A pr	--	--	0.6%	1.0%
<b>Total Outstanding Loans</b>	29 May	A pr	--	--	2777B	2759B
<b>CNI Consumer Confidence</b>	29 May	May	--	--	107.6	108.7
<b>GDP QoQ</b>	30 May	1Q	0.2%	0,5%	--	0.7%
<b>Primary Budget Balance</b>	30 May	A pr	16,2B	--	--	3.6B
<b>Chile</b>						
<b>Central Bank's Traders Survey</b>	28 May	May	--	--	--	--
<b>Manufacturing Index YoY</b>	30 May	A pr	--	-3.1%	--	0.8%
<b>Unemployment Rate</b>	30 May	A pr	6.7%	6.7%	--	6.5%
<b>Copper Production Total</b>	30 May	A pr	--	481418	--	485614
<b>Retail Sales YoY</b>	30 May	A pr	--	3.0%	--	5.2%
<b>Colombia</b>						
<b>Vehicle Sales</b>	30 May	A pr	--	--	--	26418
<b>National Unemployment Rate</b>	30 May	A pr	--	--	--	9.7%
<b>Overnight Lending Rate</b>	30 May	May	3.75%	3.50%	--	3.50%
<b>Budget Balance</b>	30 May	A pr	--	--	--	-\$3048B
<b>Mexico</b>						
<b>Trade Balance</b>	26 May	A pr	-433.0M	-877.0M	509.6M	1026.6M
<b>Budget Balance YTD</b>	30 May	A pr	--	--	--	-61.9B
<b>Peru</b>						
<b>GDP YoY</b>	26 May	1Q	4.8%	4.8%	4.8%	5.2%
<b>Peru to rebase GDP Indicators</b>	26 May	--	--	--	--	--
<b>CPI MoM</b>	1 Jun	May	--	--	--	0.39%
<b>Wholesale Price Index MoM</b>	1 Jun	May	--	--	--	0.06%

Date	Description
27-05-2014	<a href="#">Chile Economic Outlook: Second Quarter 2014</a>
26-05-2014	<a href="#">Mexico GDP Flash: BBVA Bancomer revises its 2014 growth forecast downwards to 2.5% and raises its 2015 estimate to 3.5%</a>
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>

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