

ECONOMIC ANALYSIS

Inflation in Brazil slightly above expectations, but showing the expected decreasing trend

Chile Unit / Colombia Unit / Latin America Unit / Mexico Unit / Peru Unit

Inflation in Brazil was down slightly, but was on the rise due to some impact of the World Cup. Today, details will be published of the dynamics of the GDPs of both Colombia and Mexico during the 1Q14, with important dynamics of private consumption and public investment for the former, in contrast to the expected weakness of domestic demand in Mexico.

Brazil – Inflation eases less than expected at the beginning of June, due to the impact of the World Cup

The IPCA-15, which measures inflation from the middle of the previous month until the middle of the current one, eased from 0.58% MoM in May to 0.47% MoM in June. The figure was somewhat higher than expected (BBVA: 0.38% MoM; consensus: 0.42% MoM). Food inflation continued to lose steam, but its impact on inflation was offset by the acceleration in domestic goods, personal expenditure and transport inflation. To some extent, the acceleration in these three groups was driven by the impact of the football World Cup on items such as home appliances (+2.4% MoM), tours (5.3% MoM), hotels (4.1% MoM) and airline tickets (22.2% MoM). Annual inflation measured by the IPCA-15 increased to 6.41% YoY, from 6.31% YoY in the previous reading. Yesterday's figures increase the probability that the full-month IPCA will breach the 6.5% YoY ceiling target in June rather than in July.

What to watch today

Mexico – GDP breakdown (1Q14, 09:00hrs NYT)

We expect the GDP breakdown to show the weakness of both consumption and private investment in the first quarter. Our estimates of quarterly growth rates in seasonally adjusted terms for GDP components are as follows; private sector consumption, 0.2%; public sector consumption, 3.5%; gross fixed investment in the private sector, -1.7%; gross fixed investment in the public sector, 5.0%; exports, 1.5%, and imports, 2.5%.

Colombia – GDP (1Q14, 12:00hrs NYT)

We expect GDP to have grown 5.3% YoY. Private consumption and public investment will have the highest contribution to GDP expansion, given that recent data from those components could raise our outlook towards 6% for GDP growth. In contrast, exports could underperform our previous forecast during the quarter.

Calendar Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
Formal Job Creation Total	16 Jun	May	80788	--	--	105384
FGV Inflation IGP-10 MoM	16 Jun	Jun	--	--	--	0.13%
FGV CPI IPC-S	16 Jun	Jun	--	--	--	0.46%
CNI Industrial Confidence	16 Jun	Jun	--	--	--	48.0
Tax Collections	16 Jun	May	--	--	--	105884M
IBGE Inflation IPCA-15 MoM	18 Jun	Jun	--	0.38%	--	0.58%
Chile						
Monetary Policy Report	16 Jun	2Q	--	--	--	--
Financial Stability Report	16 Jun	1H	--	--	--	--
Colombia						
Consumer Confidence Index	16 Jun	May	17.6	--	--	17.9
Retail Sales YoY	16 Jun	Apr	5.7%	--	--	8.3%
Industrial Production YoY	16 Jun	Apr	-1.7%	--	--	9.8%
Outstanding Loans YoY	16 Jun	Apr	--	--	--	14.6%
Trade Balance	17 Jun	Apr	--	--	--	-\$276.2
GDP YoY	19 Jun	1Q	5.2%	--	--	4.9%
GDP QoQ	19 Jun	1Q	--	--	--	0.8%
Overnight Lending Rate	20 Jun	--	4.00%	--	--	3.75%
Vehicle Sales	20 Jun	May	--	--	--	--
Mexico						
Aggregate Supply and Demand	19 Jun	1Q	--	--	--	0.4%
Retail Sales YoY	20 Jun	Apr	-1.3%	--	--	1.7%
Central Bank Monetary Policy Minutes	20 Jun	--	--	--	--	--
Peru						
Unemployment Rate	16 Jun	May	--	--	--	6.3%
Economic Activity YoY	16 Jun	Apr	3.2%	--	--	4.9%

Most recent Latam Reports

Date	Description
06.18.2014	Economic Watch Mexico: Decisive factors for financial inclusion in Mexico according to the 2012 ENIF (in Spanish)
06.18.2014	Economic Watch Mexico: Employment expectations of consumers of the country (in Spanish)
06.17.2014	Mexico Flash: Bank deposits with accelerated growth in April (in Spanish)
06.17.2014	Peru Flash: Statistical factors, supply and spending converged in April GDP result (in Spanish)
06.17.2014	Chile Flash: The Central Bank once again reduces its forecast growth range for 2014 (in Spanish)
06.16.2014	Press Article: Pacific Alliance and regional future (in Spanish)

- 06.13.2014 [Mexico Flash: Banxico Minutes will help to explain surpressive monetary cut \(in Spanish\)](#)
- 06.12.2014 [Chile Flash: Central Bank continues in a wait and see stance but reinforced the dovish bias \(in Spanish\)](#)
- 06.12.2014 [Peru Flash: Government announced a package of measures aimed at improving the business environment \(in Spanish\)](#)
- 06.12.2014 [Chile Flash: Came the Mepco to replace the Sipco, preliminary reactions \(in Spanish\)](#)
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