

## ECONOMIC ANALYSIS

## Mexican industrial production registers a slight monthly fall in June, confirming our expectations of weak economic growth for 2Q14

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

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*The small decrease in monthly terms was driven by the manufacturing and mining sectors and is strongly linked to weak domestic demand, despite the improvement in US industrial production. In Colombia, manufacturing exports disappointed in June with a 12.5% YoY fall, raising doubts about the recovery in the sector. Today we expect the Economic Expectations Survey in Chile to reveal estimates of a 25bp cut in the MPR at Thursday's monetary policy meeting.*

### Mexico – Industrial Production registers a small monthly decrease in June (-0.2%, sa)

According to INEGI, Mexico's June Industrial Production increased 1.8% YoY sa, equivalent to -0.2% MoM sa. This small monthly drop was mainly driven by an important MoM decrease in the Manufacturing sector (-0.7%, sa) and the Mining sector (-0.6%, sa). Meanwhile, Construction increased 1.2% MoM, sa, and Electricity, Gas and Water posted a null growth (0.0% MoM, sa). These figures confirm our expectations of weak economic growth for the second quarter. Due to the annual comparison effect, with poor results in the previous year, June's Industrial Production registered a 1.8% YoY sa growth, which was slightly below our forecast (BBVAe: 2.1% YoY). The Industrial sector's performance in June, especially in Manufacturing, as we have been warning, is strongly linked to weak domestic demand, despite the improvement in US Industrial Production and its strong links with Mexico (see our [Mexico Flash](#) for more details).

### Colombia – Disappointing manufacturing exports increase the doubts regarding the sector's recovery

In Colombia exports fell to USD4,871mn in June, a 4.1% YoY reduction, mainly due to a 12.5% YoY decrease in manufactured exports. Machinery and transport equipment exports (-33.9% YoY), notably vehicles, explain half of this decline. Nevertheless, it is worth noting that none of the sectors in the manufacturing group registered a positive growth, raising doubts about sector's recovery. Finally, mineral fuel exports also posted a negative growth (-3% YoY), mainly explained by the recent suspension of gas exports to Venezuela due to increased domestic requirements to fuel power plants.

## What to watch today

### Chile – Economic expectation survey (August, 8:30hrs NYT)

We expect the survey to reveal estimates of a 25bp cut in the monetary policy rate at Thursday's meeting as the most likely option. Additionally, we think the results will point to an increase of around 0.3% YoY in the economic activity index (Imacec) in July and another downward revision in GDP growth prospects for 2014 and 2015. We believe headline inflation estimates should be in a range between +0.0%/+0.1% MoM for August while long-term expectations should remain anchored to the central bank's 3% target.

## Calendar: Indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
IGP-M Inflation 1st Preview	11 Aug	Aug	-0.29%	--	-0.31%	-0.50%
FPE CPI - Weekly	12 Aug	Aug	0.23%	--	--	0.11%
Retail Sales MoM	14 Aug	Jun	0.4%	0.5%	--	0.5%
Formal Job Creation Total	14 Aug	Jul	7,102	--	--	25,363
FGV Inflation IGP-10 MoM	14 Aug	Aug	-0.42%	--	--	-0.56%
Economic Activity MoM	15 Aug	Jun	-1.27%	-0.3%	--	-0.18%
<b>Chile</b>						
Central Bank's Economist Survey	12 Aug	Aug	--	--	--	--
Central Bank's Traders Survey	13 Aug	Aug	--	--	--	--
Overnight Rate Target	14 Aug	Aug	3.50%	3.50%	--	3.75%
<b>Colombia</b>						
Exports FOB	11 Aug	Jun	\$5,000.0M	--	\$4,672.5M	\$5,486.1M
Consumer Confidence Index	12 Aug	Jul	28.0	--	--	26.6
Colombia Monetary Policy Minutes	14 Aug	--	--	--	--	--
Retail Sales YoY	14 Aug	Jun	7.2%	--	--	8.1%
Industrial Production YoY	15 Aug	Jun	3.9%	--	--	2.0%
<b>Mexico</b>						
Industrial Production YoY SA	11 Aug	Jun	2.1%	2.1%	1.8%	2.06%
ANTAD Same-Store Sales YoY	11 Aug	Jul	1.0%	--	0.7%	-0.2%
International Reserves Weekly	12 Aug	Aug	--	--	--	\$190,428M
Formal Job Creation Total	13 Aug	Jul	34.0K	54.0K	--	43.3K
Central Bank Inflation Report	13 Aug	--	--	--	--	--
<b>Peru</b>						
Economic Activity YoY	15 Aug	Jun	1.5%	--	--	1.8%
Unemployment Rate	15 Aug	Jul	5.8%	--	--	5.7%

## Most recent Latam reports

Date	Description
08.11.2014	<a href="#">Mexico Flash: Industrial Production shows a small monthly decrease in June (-0.2%, sa)</a>
08.08.2014	<a href="#">Chile Flash: CPI inflation reached +0.2% MoM in July, in line with expectations (in Spanish)</a>
08.07.2014	<a href="#">Peru Flash: Central bank surprises with a monetary pause (in Spanish)</a>
08.07.2014	<a href="#">Peru Economic Outlook: Third Quarter 2014 (in Spanish)</a>
08.06.2014	<a href="#">Colombia Flash: Inflation stood at 0.15% m/m in July and demand pressures ease (in Spanish)</a>
08.05.2014	<a href="#">Chile Economic Outlook: Third Quarter 2014 (in Spanish)</a>

- 08.05.2014 [Uruguay Flash: July 2014 inflation \(in Spanish\)](#)
- 08.05.2014 [Chile Flash: Aggregate activity grew 0.8% YoY in June, significantly below expectations \(in Spanish\)](#)
- 08.04.2014 [Mexico Banking Flash: Credit to the private sector: modest growth of 8.6% in June \(in Spanish\)](#)
- 08.01.2014 [Peru Flash: Inflation remains high, preventing the central bank from any strong monetary policy easing \(in Spanish\)](#)
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