

ECONOMIC ANALYSIS

Retail sales in Mexico indicated no significant recovery in private consumption

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

Significant increase in the current account deficit in Peru, that reached 7.3% of GDP in 2Q14. Particularly important was the moderation in mining exports, a situation that we expect to be reversed in the coming months as big mining projects reach full capacity production.

Mexico – Persistent retail sales weakness

Although retail sales increased 0.2% MoM sa in June (BBVAe: -0.3%) driven by strong apparel sales (7.1% MoM sa), June's data give no clear signals of an acceleration in domestic demand. The increase was not broad-based, with five out of eight components declining e.g. supermarket and vehicles sales declined (-0.1% and -0.7% MoM sa, respectively). In annual terms, retail sales increased 1.1% (BBVAe: 0.6%; consensus: 1.3%). Recent data do not point to a strong start for retail sales in 3Q14 either, as ANTAD same-store sales declined 0.3% MoM sa and consumer confidence also decreased.

Peru – The current account deficit reached 7.3% of GDP in 2Q14

The deficit has thus deteriorated with respect to both 2Q13 (5.1% of GDP) and 1Q14 (5.7%). This outcome is mainly explained by the larger trade deficit, in turn a result of lower exports, especially from the mining sector. Export prices explain part of the story, but the contraction in volumes is even more important. Long-term capital inflows into the private sector finance more than 50% of the current account deficit, while long-term capital inflows into public-sector assets finance nearly 20%. We expect the current account deficit to begin to reduce gradually over the coming quarters as new big mining projects reach their full production capacity and boost exports.

What to watch today

No economic news releases are expected today

Calendar indicators

Brazil	Date	Period	Consensus	BBVAe	Actual	Prior
FGV Consumer Confidence	25 Aug	Aug	--	--	102.3	106.9
FGV CPI IPC-S	25 Aug	Aug	--	--	--	0.08%
Trade Balance Weekly	25 Aug	Aug	--	--	\$214M	\$684M
FGV Construction Costs MoM	26 Aug	Aug	--	--	--	0.80%
Outstanding Loans MoM	26 Aug	Jul	--	--	--	0.9%
PPI Manufacturing MoM	27 Aug	Jul	--	--	--	-0.13%
FGV Inflation IGPM MoM	28 Aug	Aug	-0.35%	--	--	-0.61%
CNI Consumer Confidence	28 Aug	Aug	--	--	--	109.5
GDP QoQ	29 Aug	2Q	-0.4%	--	--	0.2%
Primary Budget Balance	29 Aug	Jul	--	--	--	-2.1B
Chile						
Central Bank's Traders Survey	27 Aug	--	--	--	--	--
Manufacturing Index YoY	29 Aug	Jul	--	--	--	-0.7%
Unemployment Rate	29 Aug	Jul	--	--	--	6.5%
Copper Production Total	29 Aug	Jul	--	--	--	488078
Retail Sales YoY	29 Aug	Jul	--	--	--	2.3%
Colombia						
Industrial Confidence	25 Aug	Jul	--	--	9.3	0.7
Retail Confidence	25 Aug	Jul	--	--	25	23.3
Urban Unemployment Rate	29 Aug	Jul	10.3%	--	--	10.7%
Overnight Lending Rate	29 Aug	Aug	4.50%	--	--	4.25%
Mexico						
Retail Sales YoY	25 Aug	Jun	1.6%	--	1.1	1.6%
Current Account Balance	25 Aug	2Q	-\$4011M	--	-\$6982M	-\$4533M
International Reserves Weekly	26 Aug	Aug	--	--	--	\$190522M
Trade Balance	27 Aug	Jul	-722.6M	--	--	423.7M
Net Outstanding Loans	29 Aug	Jul	--	--	--	2574B
Budget Balance YTD	30 Aug	Jul	--	--	--	-246.5B
Peru						
GDP YoY	25 Aug	2Q	1.8%	--	1.7%	4.8%

Most recent Latam reports

Date	Description
08.25.2014	Chile Flash: August CPI reported at 0.12% MoM growth, with significant weighting in foodstuffs (in Spanish)
08.21.2014	Mexico Flash: GDP in the second quarter of 2014 was slightly above expected
08.21.2014	Mexico Flash: Our view on minimum wage (in Spanish)
08.20.2014	Mexico Economic Outlook Third Quarter 2014 (in Spanish)
08.20.2014	Brazil Economic Outlook Third Quarter 2014
08.14.2014	Peru Flash: Weak output growth in June (in Spanish)

- 08.14.2014 [Chile Flash: Central bank cut policy rate by 25bp and kept its dovish bias \(in Spanish\)](#)
- 08.13.2014 [Mexico Banxico Flash: Banxico reduces its growth estimate for 2014 to a range between 2.0% and 2.8% \(in Spanish\)](#)
- 08.13.2014 [Chile Flash: Impact of tax reform on inflation wouldn't exceed 0.9pp between 2014 and 2016 \(in Spanish\)](#)
- 08.13.2014 [Colombia Economic Outlook: Third quarter 2014 \(in Spanish\)](#)
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